

BANK GOSPODARSTWA
KRAJOWEGO
NATIONAL ECONOMIC BANK
WARSAW



REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR 1932

9th YEAR





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Biblioteka Jagiellońska



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In 1932, our Institution has suffered a double loss by the untimely and much regretted death of two of the managers.

On July 10th, 1932, passed away

FELIKS MERUNOWICZ, D. C. C. L.

Assistant General Manager of the National Economic Bank.

The deceased was born at Lwów, on November 20th, 1880. From his earliest youth, he had devoted himself to the banking profession and soon advanced to a leading position. In 1925, he resigned his directorship of the Polish Industrial Bank and entered our Institution as a director of the Head Office. In 1926, the managership of our Branch at Lwów was temporarily entrusted to him. In 1927, he returned to the Head Office in Warsaw and from 1928 he occupied the responsible position of assistant general manager of the Bank.

His thorough and profound knowledge, his wide experience in economic matters, indefatigable energy and zeal contributed greatly to the development of our Institution, while his high qualities of heart and mind earned for him general respect and admiration.

In his passing the Bank has lost an eminent and sincere colleague and a gentleman of immaculate character.

On July 2nd, 1932, passed away

ADAM PACHOŃSKI, D. C. C. L.

Vice-Director of the National Economic Bank.

The deceased was born on January 9th, 1879, at Trzebinia, Palatinate of Cracow. After some twenty years experience in other institutions, in 1927, he resigned his position as director of the branch of the Bank Spółek Zarobkowych at Danzig and joined our Branch at Bydgoszcz as managing director. From 1928, he was the head of our Branch at Poznań.

In the deceased we lost an eminent and loyal colleague and a gentleman with high qualities of character and mind. For the past five years he rendered valuable services, devoting his ability and intimate knowledge of affairs to the interests of our Institution.

The Administrative Council and the Board
of Directors of the National Economic Bank

BANK GOSPODARSTWA KRAJOWEGO

NATIONAL ECONOMIC BANK

H E A D O F F I C E:

1, ALEJA JEROZOLIMSKA, WARSAW

B R A N C H E S:

- | | |
|--------------------|-----------------|
| 1. BIAŁA (Bielsko) | 10. LWÓW |
| 2. BIAŁYSTOK | 11. ŁÓDŹ |
| 3. BYDGOSZCZ | 12. ŁUCK |
| 4. DROHOBYCZ | 13. POZNAŃ |
| 5. GDYNIA | 14. RADOM |
| 6. KATOWICE | 15. RÓWNE |
| 7. KOŁOMYJA | 16. STANISŁAWÓW |
| 8. KRAKÓW | 17. TARNÓW |
| 9. LUBLIN | 18. WILNO |
| 19. WŁOCŁAWEK | |
-

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VICE-PRESIDENT OF THE COUNCIL:

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Former Minister of Industry and Commerce.

Wincenty JASTZĘBSKI,

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GOVERNMENT-COMMISSIONER:

Stefan RYBAŁTOWSKI

DEPUTY GOVERNMENT - COMMISSIONERS:

Witold PAWŁOWICZ

Marjan STĘPNIEWICZ

*) As on the 31st December, 1932.

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VICE-PRESIDENT:

Stefan STARZYŃSKI

ACTING MANAGING DIRECTOR:

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Lucjan ZADROWSKI

*) As on the 31st December, 1932.

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I.

GENERAL ECONOMIC SITUATION IN 1932.

During the year under review the world witnessed a further aggravation of the economic crisis. This was due to a great deal of mystery surrounding politics and violent disturbances in money and credit conditions. The state of deadlock which had been reached in 1931, still continued. This in turn makes impossible the solution of the economic problems with which the world is confronted and the restoration of the economic life to normal conditions. The difficulties have, meanwhile, been increasing, no satisfactory international agreement in general on the most important questions having been reached so far. The regulations regarding the movement of capital and currencies, the import restrictions and other ways and means designed to protect the economies of the various countries, and, especially, their currency, were pushed rapidly enough, involving all round us a much larger area than in 1931. Six more countries abandoned the gold standard, owing to which thirty-nine currencies in the world depreciated in 1932, the premium on gold in some cases amounting to as much as 50 per cent. These conditions ruling, certain countries, being unable to meet their obligations, were compelled to promulgate a moratorium.

Brakes were put on the basic functions of the world trade and the crisis aggravated: outputs, turnovers and prices continued to drop in the first half of the year even in those countries, which, thanks to the depreciation of the currency, improved their export conditions. In fact, the capital markets, which play a commanding part in the general economic development, showed an unfavourable trend. The failure of the Kreuger Concern, in March, 1932, caused violent disturbances on the world Stock Exchanges, causing fresh declines in share values.

Nevertheless, in the second half of the year, certain tendencies towards consolidation became apparent, as a result of the political reassurance in evidence after the Lausanne Agreement as well as of the growing liquidity on the leading money markets. On the fixed interest bearing security markets, there was a general all-round upward movement of quotations, allowing the successful completion of war loan conversion operations in England and France. As a result of the high liquidity prevailing on the money markets, the interest rates dropped to such low levels as have never been recorded since the end of the Great War. Parallel with this, the decrease in production and turnover was checked and there was even a slight improvement in many manufacturing sections.

These gratifying achievements have, however, until now, been unable to change fundamentally the position of the economic world, which continues to be plunged in the depths of the depression. It is sufficient to indicate that, according to the estimates of the International Labour Office, the number of unemployed in the world (exclusive of families of the unemployed, and the persons dependant on them) amounted to about 30,000,000. As a result of the calamitous decline in prices and earnings, the value of the world trade turnover dropped in 1932 by about one-third, as compared with 1931. Industrial production and the price indexes went far below the levels of 1931. The crisis was especially pronounced in agriculture. The improvement in grain prices along with the recovery

in the quotations for other raw materials, recorded after the favourable proceedings of the Lausanne negotiations, gave way by the end of the year to a fresh severe drop.

In these circumstances, the national income decreased in some countries by over 40 per cent, as compared with the year of the boom. This was reflected in the State budgets, which showed significant deficits. The agricultural countries in Central and South-Eastern Europe found themselves in an especially difficult position. In view of the increasing export difficulties, these countries are obliged to repay the bulk of their foreign debts from the bullion and foreign currency reserves of their central banks. It is obvious, that they could not evade a sharp credit deflation, which still aggravated the situation. The position became still more disadvantageous for the debtor countries, the exchange of goods between the particular countries being more and more handicapped. As a net result of the currency difficulties, the debtor countries could meet their obligations only by the export of goods, but this door has been closed to them by the increase in customs duties and the imposition of import restrictions.

It is generally realized that the ground will not be cleared for an all round improvement as long as the restrictions handicapping international trade and the normal course of economic life continue. The restoration of international liberty in the movement of goods and capital as well as the establishing of conditions for the repayment of loans on fresh principles, so as to bring them more into conformity with the payment possibilities of the debtors, should be the fundamental premises of any action designed to weather the storm.

* * *

The economic position of Poland in 1932 was characterized, generally speaking, by the same hardships from which all other countries have been suffering. Being a country of predominantly agricultural structure, Poland was severely hit by the effects of the increasing difficulties in the production of cereals and animal products. The sharp decline in prices for agricultural articles together with the restrictions which the export of goods met on the various markets, were the main causes of the general all-round contraction in output and turnover — and therefore — of a further decrease in the profits, seriously increasing the difficulties of payments. Nevertheless, as compared with other countries in Central and Eastern Europe, Poland showed in many respects more vitality and greater powers of resistance to the effects of the severe setback. As far as production is concerned, there was, last year, a reasonable adjustment of the volume of output to the diminished requirements. As a result, stocks ceased to grow. Simultaneously efforts at reducing the cost of production have been successfully introduced, permitting a lowering of the prices for industrial articles.

Poland showed, however, the greatest powers of resistance in the realms of money and credit. In fact, the stability of the currency remained unimpaired with a simultaneous liberty in the turnover with abroad. The panic among the public, caused by international developments of great importance, ceased entirely in 1932. The tendency towards hoarding lost its vigour, and, in the second half of the year, large amounts of money were redeposited in the financial institutions. The position of the banks improved, permitting the adoption of a more liberal credit policy, and especially of a large reduction in the cost of credit. The national economy also showed an elasticity in adjusting itself to the diminished profits. Thanks to far reaching reductions in expenditure, the budgetary deficits have been largely reduced, falling to relatively unimportant amounts. These were covered without any serious difficulties from the reserves which had been accumulated in the years of budgetary surpluses.

Agriculture. Additional financial difficulties imposed fresh hardships on agriculture. Pecuniary embarrassment, being the result of both the decline in the prices for agricultural produce and the deterioration in the sales conditions obtaining for animal products, has been weighing heavily on the economic position of Poland. In the first half of the year, the quotations for grain were relatively favourable in Poland, the action of the Państwowe Zakłady Przemysłowo-Zbożowe (the State Grain Undertakings) easing the downward movement of prices recorded in the international grain markets in the second quarter of the year. In Poland, the prices, especially for wheat and rye, were steadily advancing until the middle of May. At that time, they were higher than in 1931. After May, however, under the influence of the existing huge stocks of grain as well as in concert with the international tendency, the prices commenced to drop. The abundant fresh crops greatly accelerated this movement. Rye was the chief sufferer, receding, according to the quotations of the Poznań Exchange, by over zł 13 per quintal, i. e. 50 per cent, as compared with the end of 1931. On the other hand, the wheat prices, owing to the rust disease curtailing the crop, were only slightly lower than a year earlier. The prices for barley, rye and oats dropped by about 50 per cent.

In view of the unfavourable trend of the international prices, large shipments of grain to foreign countries did not improve the situation, increased crops being responsible for huge surpluses of rye and barley available for exports. The crops and the foreign trade in the four chief kinds of grain are shown in the following table (in thousands of tons):

Y I E L D					EXPORTS AND IMPORTS Surplus of: exports +, imports —				
Year	Wheat	Rye	Oats	Barley	Economic year	Wheat	Rye	Oats	Barley
1927	1,662.6	5,887.1	2,138.9	1,275.9	1927/28	—224.0	— 96.6	— 14.2	+ 64.7
1928	1,611.7	6,110.2	2,497.7	1,527.2	1928/29	— 67.4	+ 56.1	— 4.3	+186.3
1929	1,792.5	7,009.8	2,953.1	1,659.8	1929/30	— 26.3	+297.1	+ 67.3	+256.9
1930	2,240.5	6,958.1	2,347.6	1,463.9	1930/31	+ 82.2	+276.1	+ 6.4	+127.1
1931	2,264.9	5,702.6	2,309.5	1,475.7	1931/32	+ 56.7	+106.4	+ 2.8	+142.7
1932	1,346.4	6,110.5	2,390.8	1,400.8	1932/33*)	— 14.3	+164.6	+ 2.3	+115.8

As will be seen from the above figures, wheat crops decreased by 41 per cent, as compared with 1931 and, as a result, the foreign trade in grain in the first half of the economic year 1932/33 showed a deficit of over 14,000 tons. The two preceding years had been closed with surpluses in exports over imports.

On the other hand, the increase in the crops of rye was responsible for a considerable increase in the export of the commodity, attaining for the first six months of the economic year 1932/33 some 50 per cent more than for the entire previous year. The total export for the first half of 1932/33 of the four chief kinds of grain amounted to 296,200 tons, i. e. not much less than in 1931/32, in which year 329,900 tons were exported.

In as far as animal products are concerned, the position grew worse in the course of the year under review owing to both a decrease in the home demand and a deterioration in the export conditions. Cattle prices on the internal market showed a rather significant decline in spite of the fact that the number of head decreased slightly, viz. by about 3.5 per cent, as compared with the previous year. On the other hand, hog prices were at the end

*) For the first six months of the economic year (August, 1932 — January, 1933).

of the year much the same as the year before. This was largely due to a decrease in the number of pigs. According to the yearly census, taken by the Chief Bureau of Statistics on the 30th June, 1932, the decrease on the year was 1,500,000 pigs, or 20 per cent.

The export of cattle from Poland for the entire year was valued at zł 3,226,000, as against zł 11,454,000 for 1931. The export of hogs also decreased, the respective figures being zł 22,841,000 and zł 52,249,000. On the other hand, the exports of bacons and hams remained quantitatively on the previous level, but the value dropped by about 25 per cent to zł 78,800,000. In dairy products, the position was also unfavourable. The prices for eggs and, especially, for butter dropped, as compared with 1931, in spite of a falling off in production. This was due to a decline in the home consumption along with the increasing export difficulties. The export of butter from Poland was almost entirely checked. As a result, the total value of butter exported dropped to zł 3,858,000. The value of eggs exported dropped simultaneously to zł 56,604,000.

Industry. The drop in industrial production was most pronounced at the beginning of the year. A certain stabilization on the low level took place subsequently, with clear tendencies to increase in some months, as was also evidenced in other countries, especially in the second half of the year. A fresh and relatively larger decrease in production than had been recorded in the previous years took place in the last month of the year under review. This is shown in the following table illustrating the fluctuations in the indexes of industrial production for the last three years:*)

I n d e x	Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
General	1930	91.0	85.6	81.9	80.9	80.7	79.8	80.5	81.3	82.7	82.8	79.9	74.9
	1931	73.5	72.9	72.2	71.4	72.3	72.4	71.5	69.9	68.6	65.9	63.0	57.9
	1932	51.8	51.9	52.9	54.5	54.6	54.4	54.1	54.7	53.2	56.1	56.7	49.2
Production of manufac- tures	1930	91.3	86.8	80.5	77.9	77.0	76.8	77.3	76.8	77.4	76.2	73.1	65.8
	1931	64.2	63.6	59.6	58.0	61.7	63.3	62.5	62.0	59.5	54.5	50.2	46.9
	1932	39.7	38.9	37.1	40.4	40.2	42.3	42.5	45.1	43.5	43.6	45.3	41.9
Production of foodstuffs	1930	85.1	78.9	79.0	78.9	79.8	78.0	79.7	80.5	82.8	84.2	80.1	75.0
	1931	74.3	75.2	78.9	77.1	77.9	76.5	74.2	69.5	70.1	68.4	65.0	58.4
	1932	55.0	60.4	63.0	64.2	64.5	64.1	62.2	61.9	62.8	65.1	65.0	50.9

Coal mining. Thanks to the strong position held on the export markets, especially on the free markets, the Polish coal mining industry continued to show in 1931 a relatively great power of resistance to the effects of the crisis. In the year under review, however, developments abroad have not been conducive to any expansion in trading activities. On the contrary, business was considerably handicapped by import regulations and restrictions imposed in numerous countries. In addition, our chief competitor, the British coal industry, gained an important export premium in consequence of England's abandonment of gold, enabling the British coal exporters to compete successfully with Poland in the main markets in Northern Europe and in other markets. As a result of these developments along with a heavy decline in the world demand for coal, the export of the commodity from Poland

*) The indexes have been computed by the Polish Institute for Economic Research on the basis of 1928=100, eliminating seasonal fluctuations.

fell in the course of the year by no less than 27 per cent to 10,400,000 tons. In view of the fact that the home sales decreased simultaneously by 20 per cent to 15,200,000 tons, the output of coal was curtailed by over 25 per cent, as compared with 1931.

Petroleum. This section of industry was also affected by the falling off in the sales of products, though to a smaller extent. The internal distribution decreased by 13 per cent to 304,000 tons, but the export increased simultaneously from 219,000 tons to 222,000 tons. The output of crude oil was curtailed by a further 12 per cent. In July, 1932, the prices for kerosene and benzole were reduced, on balance, by 10 per cent and those for paraffin by 14 per cent.

A glance at the indexes of industrial production bears testimony that the restriction in output of manufactured goods in 1932 was proportionately heavy. This was due to a severe contraction of purchases in the entire national economy. In fact, not only was the construction of fresh buildings and workshops on a smaller scale, but also the volume of additional equipment and the replacement of existing plant or of worn out parts compare unfavourably with the corresponding figures for 1931. This state of affairs is reflected in the considerable decline in the sales of iron foundry products. The volume of production of the iron foundries may be considered as the most competent index for the investment movement. The sales effected in 1932 through the Iron Foundry Syndicate dropped, as compared with 1931, by no less than 39 per cent to 160,000 tons. The decrease in the export of iron also contributed to the restriction in the output of the iron foundries. This was mainly due to a diminution in the exports to Soviet Russia. In the course of 1932, barely 135,000 tons of rolled products were exported, the figure showing a decrease of no less than 65 per cent on the previous year. In addition, the prices were reduced twice in the course of the year, namely: by 10 per cent in April and by a further 11 per cent at the end of December. Under the influence of both the export difficulties and the unfavourable trend of prices, the production of zinc was curtailed by 35 per cent, as compared with 1931. The production of lead was entirely stopped in the last quarter of the year.

The development of the mining and the smelting production for the last few years is shown in the following table (in thousands of tons):

Specification	1926	1927	1928	1929	1930	1931	1932
Pit coal	35,747	38,084	40,616	46,236	37,506	38,265	28,835
Crude oil	796	723	743	675	663	631	557
Potassium salts	208	276	342	359	306	261	299
Salt	443	508	548	569	534	561	492
Pig iron	327	618	684	704	478	347	199
Steel	788	1,244	1,438	1,377	1,237	1,037	564
Rolled products	562	920	1,048	962	904	753	404
Zinc	124	150	162	169	174	131	85
Lead	28	30	37	37	41	32	12

Manufacturers, especially those connected with the building industry, experienced a proportionately larger decrease in employment and turnover than the primary producers. From a comparison of workman-hours in the larger factories, it will be seen that the employment in the engineering industry decreased, as compared with 1931, by over 22 per cent.

The factories producing agricultural machinery and implements found themselves in a particularly difficult position reflecting the increasing financial hardships of agriculture. The weakness in the building movement was due to an almost entire slump prevailing in public building and a heavy restriction in private house building, which must be ascribed to a decline in building credits from State funds. On the other hand, the number of fresh small, one-family houses, increased slightly. This was largely due to the extension of credits for this purpose by the National Economic Bank from the State Treasury funds. The severe reduction in building is reflected in the sales of products in the mineral industry, notably bricks, cement and lime, which compare unfavourably in volume with 1931. The severe deterioration in the timber industry was due to both the small demand for timber materials and manufactures on the home market and a significant decline in the export, the value of the latter decreasing by about 50 per cent on the year before.

The decrease in the production of goods for immediate consumption was smaller. The state of employment in the textile industry was affected by restricted sales at home and abroad and by price fluctuations for raw textiles. The upward movement in production, which was manifest in the Spring and also in the Autumn, when the trend for raw materials strengthened, slackened at the end of the year in consequence of small turnover and growing export difficulties. In comparison with 1931, the value of the exports of textiles for the entire year dropped by some 50 per cent. The reduction in employment in the clothing section was larger than in the textile industry, production having been curtailed, on balance, by 25 per cent in comparison with 1931. In contrast, the tanning and the paper industries curtailed production only slightly.

Among the various sections of the chemical industry, the largest decrease in sales was in artificial fertilizers. The output of superphosphates has been temporarily interrupted owing to huge stocks in the hands of the producers; the average use of the commodity per one hectare of arable land decreasing by about 20 per cent, as compared with 1931, in spite of the reduction in prices. The production of nitrate fertilizers, when calculated in combined nitrate, decreased by over 20 per cent to 24,400 tons. The drop in the home sales of these fertilizers was especially pronounced in the autumn season attaining hardly 66 per cent of the 1931 figure. This was to some extent balanced by the rather large export quotas obtained on the basis of the international agreements reached in the potassium and nitrate industries. These latter sections cut their prices considerably, viz.: by about 39 per cent for nitrate fertilizers, as compared with 1927/28, by 28.4 per cent for potassium salts and by 25.7 per cent for kainite, as compared with 1928. The position of the dyestuff section was more favourable, production showing a further increase. This bears clear testimony to the fact that both the textile and the dyestuff industries are becoming more and more independent of the foreign chemical industry. In contrast, the production of rayon was curtailed. This together with the increased sales caused a drop in existing stocks.

Production in the foodstuff industry was curtailed as a result of shrinking sales at home and abroad. The production of sugar for the 1932/33 season decreased by 16 per cent to 375,000 tons. The home consumption for the economic year 1931/32, as compared with the previous economic year, dropped by 11 per cent to about 300,000 tons and the exports by 32 per cent to 200,000 tons. In the fourth quarter, the sugar prices on the home market were reduced by about 20 per cent. A fall in sales and restriction in employment were also evidenced in the remaining sections of the foodstuff industries, as breweries, distilleries and potato product factories.

In proportion to industrial production, the number of hands employed in industry varied greatly in the course of the year under review. At the beginning of the year 544,000 hands were employed in mining, smelting, industry and on public works, i. e. 100,000 hands less than in 1931. In the second quarter, the number of hands employed commenced to increase, reaching as in 1931, the highest level at the end of October, namely 615,000. The respective figure in 1931 was 689,000. At the end of the year under review, the number of hands employed in the above mentioned branches totalled some 496,000, a decrease of 54,000 in comparison with the previous year.

Trade and prices. As a result of a general all-round decrease in profits and earnings, especially of a steady falling off in the purchasing power of the agricultural population, the turnover in the internal trade in 1932, as compared with 1931, fell in some branches by 50 per cent. This was reflected in a decline in railway traffic, the transportation of goods on the Polish railways decreasing by about 23 per cent. The decrease was especially pronounced in foreign loadings, mainly owing to severe restrictions imposed abroad on the import of goods. A further indication of this state of affairs is afforded by the decrease in the turnover in the co-operative wholesale trade. In the third quarter of 1932, as compared with the corresponding period of 1931, the volume of business declined in agricultural trading co-operative societies by 33 per cent, in food co-operative societies by 17 per cent and in dairy and egg co-operative societies by 52 per cent. The index of drawn bills of exchange, according to the estimates of the Polish Institute for Economic Research, dropped by about 25 per cent, as compared with 1931 and by 27 per cent, as compared with 1928.

Following the shrinking turnover, the decrease in commodity prices assumed in 1932 larger dimensions than in 1931. This was particularly noticeable in agricultural products. However, in view of the fact that there was a rise in quotations for agricultural products in the first six months of the year, a part of the disparity between the prices of these products and those of industrial articles was removed. But at the end of the year there was a substantial further increase in the disparity, the decline in the prices for industrial commodities being less acute than that for non-cartelized commodities. The December indexes for the last three years, as compared with 1927, which is taken at the basis of 100, showed the following changes:

Index Bib. Jag.		1930	1931	1932
Wholesale Commodity Prices:		76.2	66.4	56.2
Agricultural Products		63.2	57.2	44.8
Industrial „		86.9	74.0	65.8
Retail Commodity Prices:		97.6	81.6	71.3
Agricultural Products		88.6	70.9	59.5
Industrial „		106.8	91.7	83.3
Cost of Living*)		93.8	83.3	73.2

As will be seen from the above figures, the decline in retail prices and in the cost of living was not so sharp as that in wholesale prices.

Foreign trade. In the boom years of 1927—1929, Poland imported much more than she exported. This was due to the inflow of capital from abroad in the form of credits

*) At Warsaw.

and investment capital and revenue for services. As soon as the inflow of fresh capital was stopped, the payments for the redemption of the outstanding obligations and the profit from foreign capital employed increased simultaneously. Poland was then compelled to restrict the import of goods in order to obtain a surplus in exports necessary to leave a margin of drafts for foreign payments. In view of the fact that exports were decreasing from year to year in value, it was necessary to keep imports down as far as possible. The foreign trade turnover for the last six years is shown in the following table (in millions of zlotys):

Year	Imports	Exports	Balance
1927	2,892	2,515	—377
1928	3,362	2,508	—854
1929	3,111	2,813	—298
1930	2,246	2,433	+187
1931	1,468	1,878	+410
1932	862	1,084	+222

A glance at the above figures shows that both exports and imports decreased in 1932 by about 42 per cent. The surplus of the export over the import decreased from 410 million zlotys to 222 million zlotys. In spite of the fact that the export from Poland consists mainly of foodstuffs, raw materials and semi-manufactured articles, all of which were most affected by the drop in prices, Poland was able to maintain a favourable foreign trade balance, which permitted her to meet all foreign obligations without imposing any currency restrictions.

The drop in the foreign trade turnover was responsible for a decrease in the traffic of goods in the Polish ports, especially in Danzig. The movement of goods through the port of Gdynia showed but a slight decrease from 5,300,000 tons in 1931 to 5,225,000 tons in 1932. The traffic of the port of Danzig decreased simultaneously from 8,331,000 tons to 5,476,000 tons. The increasing importance of the port of Gdynia is resulting from the steady expansion and the improvement of the technical equipment of that port as well as from the careful and cheap commercial organization. Thanks to large technical facilities and the low charges in the cost of transshipment and unloading, foreign and home shippers have been utilizing more and more that port. In addition, Gdynia has not only been gaining in importance owing to the fact that it is a Polish port, but also because it has all the necessary qualities for becoming the port of our neighbours, viz. Czechoslovakia, Hungary and Roumania.

Of the total value of goods passing through the ports, in relation to the aggregate Polish imports and exports, Danzig is responsible for 21 per cent of the imports and for 27 per cent of the exports. The respective figures for Gdynia are 16 per cent and 20 per cent. As compared with 1931, the proportion of the total value of imports passing through ports rose from 40 per cent to 47 per cent. In quantity, seaborne transportation was responsible in 1932 for about 68 per cent of the total foreign trade turnover.

The State Budget. The general all-round falling off in the economic turnover and the decline in the social income accounted for a steady decrease in the revenue of the Polish State. As a result, the fiscal year 1932—33 was closed with a deficit of 242 million zlotys, although severe reductions in expenditure had been made. As in the previous year, the deficit was covered from Treasury reserves, the income of the Treasury from the issue of small coinage and relatively unimportant credit operations consisting in free of interest legal credit

with the Bank of Poland. The legal credit of the Treasury with the Bank of Poland was augmented in 1932 to 100 million zlotys. Of this amount, the Treasury utilized only 70 million zlotys in the course of the year, so that the total indebtedness of the Treasury towards the Bank of Poland, together with 20 million zlotys, which had previously been contracted, amounted at the end of the year to 90 million zlotys.

The budget for the year 1931—1932, as voted by the Legislative Bodies, amounted to 2,867 million zlotys on the revenue side and to 2,866 million zlotys on the expenditure side. The latter was, as and when the receipts dropped, reduced by 400 million zlotys. As a result, the year was closed with 2,466 million zlotys expenditure. However, in view of the fact that the actual receipts were 605 million zlotys (21 per cent) less than estimated, the year was closed with a deficit of 204 million zlotys. The budget estimate for 1932—1933 provided 2,377 million zlotys for the revenue and 2,452 million zlotys for the expenditure. As the revenue continued to decrease, the Government introduced further far-reaching economies, mainly through the compression of material expenditure and in addition by a fresh cut in the salaries of State employees outside of Warsaw. Thanks to this the total expenditure of the State was reduced by 208 million zlotys. Simultaneously the Government endeavoured to augment the budgetary revenue by economies in Monopolies and State Undertakings and in addition by the reform of several existing taxes as well as by the creation of fresh sources of revenue.

Although these regulations were not sufficient to secure the balancing of the budget, they contributed to reduce substantially the deficits, enabling the State to cover them from the existing reserves and other available resources. The total receipts in the last budgetary year amounted to 2,002 million zlotys and the expenditure to 2,244 million zlotys, so that the year was closed with a deficit of 242 million zlotys.

The budget estimate for the fiscal year 1933—1934 amounted to 2,059 million zlotys revenue and 2,448 million zlotys expenditure, leaving a deficit of 389 million zlotys. As will be seen, the revenue has been maintained virtually within the limits of this year's receipts. On the other hand, the excess of estimated expenditure in proportion to actual expenditure is chiefly due to the fact that the entire service items of the State Debt have been included in the budget estimate. The Government sees possibilities of diminishing the deficit through further economies, partially also through the augmentation of some sources of revenue. The balance of the deficit will be covered from the existing Treasury reserves, financial operations also being taken into account.

The total of the National Debt decreased in the course of the year under review by 44 million zlotys to 4,964 million zlotys. Although the issue of the Land Rente rose by 3.1 million zlotys and the conversion of the State Loans in Polish Marks rose by 3 million zlotys, the Internal Debt dropped by 15.7 million zlotys, to 422.9 million zlotys, repayments amounting to 21 million zlotys. The repayments in respect of the Foreign Debt amounted in 1932 to 55.6 million zlotys. But as the total of this Debt rose simultaneously by 27.3 million zlotys, due to the inclusion in the Foreign Debt Account of two series of debentures, issued in previous years for the purchase of Polish railway lines belonging to foreigners, the aggregate of the Foreign Debt decreased by 28.3 million zlotys, the figure falling from 4,569.8 million zlotys on the 1st January, 1932, to 4,541.5 million zlotys on the 1st January, 1933.

The Foreign Exchange Situation in 1932 was more favourable than it had been in 1931. Although the calling in of short term loans by foreign creditors continued throughout the

first six months of the year, the withdrawal was on a smaller scale and not so rapid as formerly. In the second half of the year, it ceased almost entirely. In the private banks the total indebtedness towards foreign banks on the "foreign banks Loro and Nostro" accounts decreased in the course of the year by 61.5 million zlotys to 218.7 million zlotys, whereas in 1931 the item showed a decrease of 191 million zlotys.

The hoarding tendency prevailing among the large masses of the population, very pronounced in Poland as it was in other countries in 1931, slackened in 1932. The purchase of foreign currencies in the first months of the year, especially of spot dollars, and, after the collapse of the dollar, of gold coins, ceased practically entirely in the latter part of the year. The substantial supplies of gold coins enabled the Bank of Poland to strengthen its bullion reserves through the purchase of gold on the home market. In order to counteract harmful foreign exchange speculation, the banks — as the result of mutual agreement — decided to restrict the sale of gold and foreign currencies only to cases justified by economic requirements. The Bank of Poland stopped also in the early days of June its policy of selling on the Exchange unlimited amounts of spot dollars.

The favourable position of the trade balance, which showed throughout the year a surplus in the value of exports over imports, had in the first half of the year no influence on the movement of the bullion and foreign exchange reserves of the Bank of Poland, the calling in of the foreign credit balances and the hoarding at home continuing. In the course of the first seven months of the year, the stocks of gold and foreign currencies with the Bank of Poland decreased by 168 million zlotys. At various times the Bank was compelled to sell gold abroad in exchange for foreign currencies. After August, the position improved. From that time onwards, the reserves with the Bank of Poland increased progressively. The Bank purchased gold at home and abroad in order to restrict its foreign currency holdings to amounts indispensable for the meeting of the immediate requirements of the market. Throughout 1932, the gold reserve of the Bank of Poland decreased by 98.2 million zlotys to 502.2 million zlotys and the foreign exchange stocks dropped simultaneously by 76.7 million zlotys to 136.7 million zlotys, the foreign exchange holdings appertaining to the cover dropping by 39.5 million zlotys to 48.5 million zlotys. As a result of these changes, the bullion and foreign currency cover of notes in circulation and call liabilities of the Bank of Poland decreased — in spite of a considerable reduction in the circulation — from 48.09 per cent at the end of 1931 to 45.02 per cent at the end of 1932. The cover in gold alone amounted to 41.05 per cent, as compared with 41.94 per cent at the end of 1931.

The foreign currency turnover on the Exchange decreased in the course of 1932 owing to a substantial contraction in the volume of the foreign trade. The bulk of the operations was in dollar drafts. The quotation for cables on New York fluctuated within the limits of zł 8,902 and zł 8,999. The fact remains that the U. S. dollar rate did not attain the gold point. The market in dollars in the first six months of the year was fairly active, but as soon as the Bank of Poland suspended the sale of dollars, operations dwindled, and, in the last months, spot dollars were not listed at all on the Warsaw Stock Exchange. The quotations of the remaining currencies followed the trend recorded abroad.

The total circulation of money in Poland decreased in the course of 1932 by 134.5 million zlotys to 1,352.2 million zlotys, out of which 1,002.8 million zlotys constituted notes of the Bank of Poland (as compared with 1,218.3 million zlotys in the previous year) and 322.4 million zlotys silver and small coin. In fact, the decrease in the monetary circulation was due exclusively to a reduction in the note issue of the Bank of Poland.

In contrast, there was an increase in the circulation of silver and small coin. In the course of the year, the maximum limit of the circulation of silver and small coin was increased to 396 million zlotys on the basis of an agreement reached between the Polish Government and the Bank of Poland. In connection with this, certain changes have been made in the structure of the circulation of money, viz.: the ten-zloty notes of the Bank of Poland have been withdrawn; they have been substituted by ten-zloty silver coins; in addition, the former one, two and five-zloty silver coins have been withdrawn; in their place two and five-zloty silver coins and one-zloty nickel coins were brought into circulation.

The money and investment market in 1932 was erratic. As a result of the disturbed conditions ruling in 1931 on the international markets, the trend was unfavourable in the first six months of 1932. At that time there was an efflux of deposits, forcing the banks to reduce credits in order to maintain a high cash liquidity. On the security market quotations moved downward, substantial losses being sustained in shares owing to both the aggravation in the position of industry and the trend ruling on the world Exchanges (the failure of the Kreuger Concern in March). Since June the position has been gradually improving. The reassurance in international relations, resulting from the Lausanne conference, had also a favourable effect on the Polish market. The withdrawal of deposits from the banks ceased, while in the State banks and in the savings banks there was even a considerable influx of deposits. As a result of the favourable trend of deposits and a further drop in credits, the liquidity of the banks improved. Interest in securities increased simultaneously and fixed interest bearing securities showed rather important gains.

The movement of deposits in the course of 1932 in the various institutions is illustrated in the following table (in millions of zlotys):

Institution	1931 31 Dec.	1	9	3	2
		31 March	30 June	30 Sept.	31 Dec.
Bank of Poland	190.5	142.3	113.9	116.7	196.3
National Economic Bank	238.7	245.6	245.8	266.3	261.1
State Land Bank	62.9	62.4	59.7	62.5	60.5
Communal Banks	62.5	64.5	65.1	66.0	63.8
Joint-stock Banks	611.7	583.1	522.6	534.2	527.5
Branches of foreign joint-stock Banks	55.9	57.3	45.2	48.6	52.6
Post Office Savings Bank	509.8	538.7	534.1	562.0	622.9
Savings Banks	603.3	624.5	611.0	611.4	627.9
Credit Co-operative Societies	346.4	322.4	314.1	303.9	306.5
Central Credit Institute of Agricultural Co-operative Societies	4.3	4.7	4.1	4.4	3.4
Total	2,686.0	2,645.5	2,515.6	2,576.0	2,722.5
National Economic Bank: Treasury deposits	506.7	490.3	483.4	484.9	483.6
State Land Bank: Treasury deposits .	88.2	88.2	48.2	48.2	48.2
„ „ „ Government funds administered by the Bank	426.1	426.1	457.7	466.3	475.0
Grand total	3,707.0	3,650.1	3,504.9	3,575.4	3,729.3

As compared with the end of 1931, there was a decrease in deposits in private banks and credit co-operative societies. In the National Economic Bank deposits increased, while

in the other public institution, in the State Land Bank, they decreased slightly. In the Post Office Savings Bank the increase in deposits was much larger than it had been at any time before, the respective figures for the last two years being 115 million zlotys and 81 million zlotys. In the communal banks and savings banks deposits also increased slightly. Among the various kinds of deposits, the greatest increase was in respect of savings deposits; on the other hand, those deposits which have mainly the character of cash reserves of undertakings, as for instance deposits on cheque accounts, decreased on balance.

As a result of the unfavourable movement of deposits in the first half of 1932, the banks were compelled to further restrict their credit activities. Fresh credits were extended very cautiously, great difficulties being experienced in the calling in of outstanding credits. The supply of bills of exchange, adequate for discount, decreased. Owing to this state of affairs, in the second half of the year, when the outflow of deposits was checked, the short term credits continued to decline. The demand for accommodation on the part of the larger undertakings was small, reflecting the falling off in trade turnover along with the spreading tendency to sell for cash. Against this, there was evidence of a substantial demand for accommodation from both the smaller undertakings and the farmers for the repayment of debts. This not being justified by actual trade requirements, the demand for credit facilities was not satisfied by the banks. The slow supply of good bills of exchange induced the Bank of Poland to lengthen, as from November 21st, 1932, the maximum maturities for discountable bills of exchange from seventy-five days to ninety days.

The total of short term credits and of long term and medium term cash credits in the particular credit institutions, was as follows (the total after deducting rediscounts—in millions of zlotys. The credits granted by savings banks and credit co-operative societies are not included in this table in the absence of precise data):

Institution	1931 31 Dec.	1 9 3 2			
		31 March	30 June	30 Sep.	31 Dec.
Short term credits					
Bank of Poland	796.4	764.2	795.1	741.3	699.7
National Economic Bank	226.5	231.7	217.7	228.3	206.3
State Land Bank	156.3	122.5	117.4	113.3	102.7
Communal Banks	55.5	58.0	51.9	51.7	45.3
Joint-stock Banks	824.8	797.3	736.3	718.3	709.4
Branches of foreign joint-stock Banks	117.8	117.0	110.6	110.9	92.9
Post Office Savings Bank	19.3	19.6	19.4	20.3	17.7
Central Credit Institute of Agricul- tural Co-operative Societies . .	20.2	20.5	20.2	19.8	18.7
Total	2,216.8	2,130.8	2,068.6	2,003.9	1,892.7
Other credits					
N. E. B.: medium term and long term cash credits	116.1	112.7	114.1	113.6	119.1
N. E. B. credits from Treasury funds administered by the Bank . .	642.3	633.9	628.1	636.5	618.4
Loans from Government funds . .	396.1	401.5	404.6	413.3	420.7
Grand total . . .	3,371.3	3,278.9	3,215.4	3,167.3	3,050.9

With the exception of the communal banks, credits decreased in all financial institutions to a greater extent than the credit balances. In this respect, as recent events have shown, the State banks were the least affected. In 1931, we had already stated that the share of the State banks in the total credits increased; in 1932, it showed a still larger increase. This is explained by the fact that the activities of the State banks do not depend so much on private deposits, the movement of the latter not playing the dominant rôle. At the same time, the major problem confronting Poland, i. e. the efforts for the removal of the factors responsible for the present break-down in trade, was left, by the very nature of things, to the State banks who assisted the most threatened economic sections.

As a result of the falling off in the supply of commercial bills of exchange, due to the drop in the trade turnover, the holdings of bills dropped considerably. In the joint-stock banks and the larger banking houses the figure dropped at the close of 1932 by 22.8 per cent, as compared with the corresponding period in 1931. The credits on open accounts dropped simultaneously by 18.7 per cent, while the fixed loans rose by 17.9 per cent.

The calling in of credits in 1932 was accompanied by rather great difficulties. This was largely due to the unfavourable position in agriculture, compelling the institutions granting credits to agriculturalists to extend far-reaching facilities and prolongations in the repayment of credits. This was mainly due to the fact that the money raised through the sale of land by compulsion had frequently been insufficient to satisfy fully the claims of creditors. Although the number of protests dropped considerably by the end of the year, the average of protested bills of exchange to those presented for payment in the course of the year was 12.6 per cent, as compared with 13.1 per cent in 1931. The Bank of Poland was an exception, the ratio of protested bills to those presented for payment dropping considerably owing to a cautious sifting of bills presented for discount and more liberal prolongations of the maturities of agricultural bills. The situation in the private banks was not so favourable, the ratio of protested bills to the holdings rising in the joint-stock banks and the larger banking houses from 8.3 per cent in December, 1931, to 15.5 per cent in December, 1932.

Simultaneously with the decrease in credits there was a decrease in the indebtedness of the banks in respect of rediscount and correspondents' accounts. In the first half of 1932, during the outflow of deposits, the rediscount indebtedness of the banks with the Bank of Poland was increasing. On the contrary, in the second half of the year, it was progressively decreasing. According to the joint balance sheet of the joint-stock banks and the larger banking houses, the ratio of the rediscount to the discount dropped from 50.7 per cent in December, 1931 to 50 per cent at the close of 1932. The decline in the credit and debit operations affected adversely the final results obtained by the banks. In fact, interest and commission, according to the joint balance sheet of the above mentioned banks, as per 31st December, 1932, amounted to 60.3 million zlotys, as compared with 93.8 million zlotys in 1931. The operating expenses also showed a substantial decrease — from 83.5 million zlotys in 1931 to 63.5 million zlotys. This saving was, however, not enough to balance the fall in the profit. The balance sheet total dropped from 2,251 million zlotys to 1,971 million zlotys. On the whole, the liquidity of the banks improved in 1932, but this was obtained at the expense of profits,

In the second half of 1932, a large measure of reassurance was restored on the money market. This was evidenced, inter alia, in the cessation of the outflow of deposits and of the bullion and foreign exchange reserves from the Bank of Poland, which permitted an appreciable reduction in the cost of credit. This being imperative, action was initiated by the Government. This was undoubtedly one of the main factors which could lead to the lowering of the cost of production and to the adjustment of the interest rate to the reduced profit earned by industry and agriculture. To achieve this, the discount rate, which had been effective as from the 3rd October, 1930, was lowered on the 21st October, 1932, from $7\frac{1}{2}$ per cent to 6 per cent and the rate for loans against securities from $8\frac{1}{2}$ per cent to 7 per cent. On the same date, by an Order of the Minister of Finance, the maximum interest rate on other than bank loans was lowered from 15 per cent to 12 per cent. Since the 7th November, by an Order of the Minister of Finance, the maximum limit of the cost of credit was lowered from 11 per cent to $9\frac{1}{2}$ per cent, excepting certain communal savings banks and all co-operative credit societies, who have been permitted by the Order to charge temporarily 10 per cent per annum.

The lowering of the interest rate on short term credits brought about the necessity for the reduction of the interest rate on deposits. With this end in view, the Post Office Savings Bank and nearly all communal savings banks and the State banks reduced twice in 1932 the interest rate on deposits. After the second reduction, effective as from the 1st December, 1932, in respect of fresh deposits and as from the 1st January, 1932, in respect of old deposits, the rate of interest on deposits in zlotys with the Post Office Saving Bank has been standing at 5 per cent and at 4 per cent on those in gold-zlotys. It will be seen that the rate on deposits was reduced by 2 per cent in every case. The communal savings banks also reduced the rates on various deposits, on balance, by 2 per cent and on deposits in foreign currencies and in gold-zlotys even by 3 per cent. At the same time, by an agreement reached between the State banks and the private banks, the interest rate on deposits was lowered by them by $\frac{3}{4}$ — $1\frac{1}{4}$ per cent. As a net result, the fresh rates are $4\frac{1}{2}$ per cent on unlimited deposits and from $5\frac{1}{4}$ to 7 per cent per annum on fixed deposits, depending on the terms of withdrawal. It should be noted that the rate of interest on deposits in the State banks has been lower than in either the private banks or the savings banks. This fact has so far not created any unfavourable movements in deposits. On the contrary, they continued to increase, especially in the State banks, clearly demonstrating that under present conditions the public is more anxious for security than for high interest.

Apart from the lowering of the cost of credit, the Government has taken various steps to ease the position of debtors. Further details in this respect will be found in the text below, devoted to this action designed to weather the crisis.

The stringency prevailing on the money market and the decline in the volume of internal capitalization affected adversely the absorbing capacity of the investment market. In Poland, just as in other countries, large investments are as a rule financed through the issue of long term loans. This was made impossible by the exceedingly high rate of interest still ruling on the monetary market. The difficulties in the placing of securities both at home and abroad were responsible for the falling off in the activities of the long term credit institutions. The total of loans in mortgage bonds and debentures granted by the private long term credit institutions commenced to decrease from the middle of the year, redemptions exceeding the total of fresh loans. The State banks showed an increase in loans. This was, however, mainly due to the conversion of long term cash loans

into bond loans. The position of mortgage bond and debenture issues in all Polish institutions is shown in the following table (in millions of zlotys):

Institution	1931 Dec. 31	1 9 3 2			
		March 31	June 30	Sep. 30	Dec. 31
National Economic Bank	792.2	803.2	815.4	825.6	837.8
State Land Bank	338.1	339.7	339.0	339.6	334.7
3 Land Credit Societies	548.5	547.6	553.7	549.3	551.6
13 Municipal Credit Societies	325.3	336.3	335.8	334.8	332.7
4 Mortgage and 2 Communal Banks	158.8	159.2	156.4	159.0	156.2
Polish Industrial Credit Soc.	50.1	55.1	52.9	50.0	48.0
Total	2,213.0	2,241.1	2,253.2	2,258.3	2,261.0

Despite the disadvantageous quotations obtaining for shares, the issues were larger than in 1931. In the course of the year, 36 joint-stock companies were created with a capital totalling 46.3 million zlotys, as compared with 32 joint-stock companies and 18.7 million zlotys in 1931. The issue of shares for the increase of the capital of the existing joint-stock companies also expanded. In 1932, the capital was increased through subscription in 35 joint-stock companies by 92.7 million zlotys. In 1931, the respective figures were 46 joint-stock companies and 54.4 million zlotys. The capital was reduced in the course of 1932 in 11 companies by 37.1 million zlotys (in 1931 in 13 companies by 24.4 million zlotys). At the same time 19 companies with 9.7 million zlotys went into liquidation, as compared with 30 companies and 5.1 million zlotys in 1931.

According to the data of the Chief Bureau of Statistics, the number of failures dropped from 769 in 1931 to 545 in 1932, a decrease of over 30 per cent. With the exception of co-operative societies, among which the number increased, failures decreased considerably in all other branches of industry, both stock-companies and private enterprises. This state of affairs amply testifies to the fact that the elimination of the weak undertakings as well as of those not having solid foundations for further development, has been pushed far ahead.

The turnover in fixed interest bearing securities on the Exchanges dropped slightly in comparison with 1931. The falling off in the transactions in shares, which had already been evidenced in 1931, was more pronounced.

The quotations in fixed interest bearing securities were irregular and, on the whole, in concert with the tendencies prevailing on the world Exchanges. In the first half of 1932, there was a downward trend, quotations dropping to the lowest levels that had hitherto been recorded. In the second half of the year, owing to an easing in the international situation, there was a significant recovery, the quotations, especially for investment securities, showing advances. Increased interest was shown in State loans. These latter attained at the end of the year higher prices than in the previous year. The quotations for mortgage bonds and debentures, issued by the State banks, remained practically unchanged. The trend of mortgage bonds and debentures of private institutions was erratic. In the second half of the year, they advanced slightly. In December, when the Law regarding the lowering of the interest and the prolongation of the periods of redemption of long term loans and of securities issued on their basis was published, prices of the secur-

ities liable to the conversion receded considerably. As the drop in the quotations of these securities did not follow the reduction in the interest, they yielded less at the end of the year than before the Conversion Law had been announced.

* * *

The programme of direct action of the Government designed to overcome the crisis was based, as in the previous two years, on two fundamental principles: the maintenance of the stability of the currency and the readaptation of the budget to conform with both the taxable power of the people and the Treasury resources and reserves available. In as far as the maintenance of the stability of the currency is concerned, the Polish Government is absolutely determined not to follow the example of other countries. This is made more clear by the fact that at a time when certain countries, in order to protect their currency, imposed rigid regulations, the plan put forward by Poland recommended that the efflux of reserves from the Bank of Poland should be balanced. It is obvious that to achieve this it was necessary that the reduction in the note circulation should be in proportion to the diminution in the credit extended by the central bank, and that the influx of foreign exchange from the surplus of exports over imports should increase. The first principle resulted in a deflation policy of the Bank of Poland, a fact which undoubtedly accelerated the general all-round falling off in economic activities, but protected the monetary and credit apparatus, and, thereby, the entire economic life of Poland, against serious disturbances.

In the application of the foreign trade policy, the Government adopted various regulations designed to impede the efflux of foreign exchange through a decrease in unnecessary imports, at the same time working for an increase in the export trade. It should, however, be emphasized that the import restrictions, which had been made effective in 1932, such as for instance increased customs duties, import prohibition and import quotas, were purely protective in nature, being imposed only after similar or even more drastic restrictions had been operating in those countries, which are Poland's most important export markets. In addition, Polish industry also called for further protection against increased foreign competition prevailing in the home market. This was especially necessary towards those countries which have benefited in recent times from a considerable export bounty due to the devaluation of their currency. To assist the export of goods, the Government was compelled to continue to refund customs duties mainly on the export of agricultural produce and also on some industrial articles. Moreover, taxation and railway tariff easings were granted for goods exported. The port of Gdynia was expanded. The export of goods was diverted to Polish ports, and, finally, the organization of exports was improved as was also the quality of the goods exported.

To strike a balance between the expenditure and the revenue of the State, the Government cut expenditure in 1932 by several per cent, both material and personnel expenditure being reduced. To achieve this, it was necessary to abolish the Ministry of Public Works and the Ministry of Agrarian Reform, as well as numerous Offices of Lower Instances and to make simultaneously large economies in the State Monopolies and Undertakings. The revenue of the State was augmented by the Government increasing taxation: income tax and stamp duties; a fresh 10 per cent tax was imposed on electric

power for lighting. Also other taxes were increased: on immovable property and flats; beer, wine, mineral oils and yeast. And last but not least, the fiscal machinery and the organization for collecting public monies were improved.

When, thanks to the satisfactory results obtained from these regulations, the currency and the budget were protected against serious disturbances threatening Poland and the tone of reassurance among the public was restored, dispelling the mistrust towards financial institutions, the Government took further steps to make the effects of the crisis less severe. Primarily, it was necessary to adjust all elements and factors of the economic life to the changed conditions and, especially, to the reduced profit earned in agriculture. In consequence, the question of indebtedness was dealt with first. As a result of the decrease in the earnings in industry, particularly in agriculture, debtors were unable to meet their obligations either in the periods stipulated or as to the sums falling due. The regulations intended to protect the debtors took into account, on the one hand, the repayment of loans and, on the other hand, the lowering of the cost of credit.

Among the most important regulations in the first group, should be mentioned: 1. The Order of the President of the Republic of Poland regarding difficulties of payment experienced by landowners. This introduced the institution of Court Receivership and the Postponement of Repayments, an institution which had been operating for many years in commercial undertakings. 2. A Decree regarding the formation of Arbitration Courts to deal with credit questions of the small farmers. 3. An Order dealing with the lowest price to be fixed when enforcing immovable properties. 4. A Decree regarding the enforcing of Local Government properties. These Acts are intended to protect the debtors against the severity of creditors in those cases when the debtor has unintentionally fallen into payment difficulties. Simultaneously extensions were introduced to protect the rights of those credit institutions, which, in view of their operations, deserve punctual repayment of credits. With a view to this end, decrees were published facilitating the enforcement of the sums due to the long term credit institutions and increasing the penalties for the dissipation of the security pledged.

The easings extended to debtors in the cost of credit were initiated by an action designed to stop usury, a growing evil, especially in country villages. Arbitration Courts were created to deal with credit questions of small farmers and the Minister of Finance was empowered to fix the maximum rate chargeable on credits. On this basis the interest rate on bank credits was lowered as was that on other than bank credits.

The most important Legislative Act in the domain of Economy was the Conversion Law, which was passed at the end of 1932. In virtue of this Law, the rate of interest payable on long term loans and mortgage bonds and debentures issued on the basis of these loans was reduced to $4\frac{1}{2}$ per cent, and 5 per cent and $5\frac{1}{2}$ per cent, respectively, and the periods of redemption were prolonged simultaneously. This Law does not affect the liability of the Treasury in respect of guarantees, issues of State banks and issues placed and listed abroad.

The passing of the Conversion Law was necessitated by the difficult position of debtors, who, raising long term loans during the boom period at a high rate of interest, were unable to meet the service from the decreased income. In consequence, large arrears arose in the long term credit institutions. The collection of these had been accompanied by immense difficulties. To remedy this state of affairs, the Government considered it necessary to modify the existing burdensome conditions stipulated in better days by reducing the

rate of interest and by prolonging the periods of redemption. The objective of the compulsory conversion, giving the debtors extensive easings, was to facilitate the regular repayment of debts in the future and thereby to afford the holders of the issues greater security of capital in return for the reduction in the rate of interest.

As a result of the considerable drop in prices for agricultural produce in the second half of 1932, the disparity between the prices for agricultural articles and those for manufactured goods, which had dwindled in the early months, expanded again at the end of the year. In view of the fact that this state of affairs caused a further weakening in the purchasing power of industrial products by the agricultural community, attempts made to diminish the difference between the level of prices in these two groups were of especial importance. The action of the Government in this respect was diverted in two directions: a) measures were taken to check the drop in prices for agricultural produce; among these should be mentioned the protection through the imposition of customs duties on the import of agricultural products; the refund of customs duties on grain and animal products exported from Poland; the registered credit on liens of grain and the intervention of the State Grain Undertakings on the home market, and, b) strenuous efforts were made to reduce the prices of industrial articles, especially for cartelized articles, the level of which had dropped but slightly during the period of the depression. In the course of 1932, the prices for monopolized articles — spirits and tobacco — were heavily reduced. Owing largely to the initiative of the Government, there was a cut in price for almost all basic cartelized articles, as for instance, iron, cement, petroleum products, agricultural machinery and implements, artificial fertilizers, paper, sugar and many other articles mainly bought by the agricultural population; the prices for building materials were also reduced. Further efforts were made to reduce simultaneously both the cost of production and the prices of commodities. To achieve this, it was imperative to relieve the economic life of heavy charges by amending Social Legislation.

Although in the fiscal and budgetary section the dominant question was to balance the budget, the Treasury extended serious taxation easings to various sections of the economic life. As agriculture has been most affected by the crisis, the easings accorded to the tax-payers were primarily intended to assist agriculture, but without imposing fresh burdens on the remaining economic sections. The power vested in the Minister of Finance by the Law of March, 1932, enabled him to postpone and to arrange payments by instalments, to annul direct taxes in arrears, to reduce fines for retarded payments, fines for the postponement and cost of enforcement and to accept sums due to tax-payers from the Treasury on account of taxes. This power was largely applied to arrears in agriculture under the head of levies on real estate by the postponement of the payment of such arrears, the granting of bounties on arrears and the reduction of the interest charged on retarded payments, if the arrears were quickly discharged, the reduction of the cost of enforcement, possibilities to abrogate arrears in the land and the income tax. There was also given the possibility of paying certain taxes in arrear (land, property, heritage and industrial) in natura (agricultural produce, coal, timber), these commodities being used to assist the unemployed. Other Orders provided facilities for the payment of the industrial tax and of the forest levy in arrears. The interest rate on taxes in arrears was lowered from 18 per cent to 15 per cent per annum. The amendment of the industrial tax, which was made effective in 1932, introduced a gradual lowering of the rate on this tax, the imposition of one gross tax on certain articles and of a tax in a lump sum in the case of small undertakings,

Among the easings granted by the State to the economic life, and which were designed to reduce the price for goods, of vital importance are those in freight rates. The policy of these facilities in previous years was designed to promote the export of goods from Poland and the import of raw materials and of indispensable primary goods to Poland for the home industry, with special treatment for those shipped to Polish ports. Recently emphasis has also been laid on the reduction of the home freight for goods. Freight bounties were granted to agricultural produce, timber, coal, foundry products, building materials, chemicals, petroleum products, etc.

At the end of 1932, the State Labour Exchanges had on their books some 220,000 unemployed. Although this figure does not include all persons out of work, it is obvious that in relation to some other, especially highly industrialized countries, unemployment is in Poland smaller and less burdensome. Nevertheless, the Government drew up further plans designed in the first place to keep the largest possible number of persons employed. This action was also directed to the assistance of the unemployed. In addition to the contribution from the budget for the Unemployed Assistance Fund and for emergency assistance to the unemployed, the Government initiated in 1932 an action on a large scale for assisting the unemployed. The Superior Committee, which had been operating in 1931 and through the Spring of 1932, was dissolved and the Unemployed Assistance Fund was created in the Summer of 1932. This Fund is a legal body. It is a permanent institution having the following objects: 1) the provision of assistance for the unemployed, 2) the receipt and distribution of assistance in kind, 3) the distribution of the relief work between various organizations, and 4) the finding of work for a larger number of people. In order to secure a financial basis for the Fund, special monetary levies were made. These charges are relatively low, but as they are being collected from many sources, they form an important fund for the assistance of those, who find themselves without work owing to the economic crisis.

* * *

In 1932, the development of the economic position of Poland, as outlined above, gives ample evidence of the fact that although our economic organism was severely hit by the tremendous shocks of the general all-round world crisis aggravating day by day, it remained healthy, being based on solid foundations, such as the stability of the currency, an orderly budgetary policy and a consolidated financial and credit machinery. The successive steps taken with calmness and vigour by the Government to meet the depression were characterized by naturalness and simplicity, inspiring the people with the confidence essential to the recognition that to weather the storm it was imperative to rely on the nation's own force and her ability to adjust herself to the external influences reacting upon Poland. In the long run, however, the struggle, maintained exclusively by means of the powers at the disposal of one national economy against the raids of a world crisis must be accompanied by immense difficulties, the result of international events of supreme importance. For this reason, Poland is no less interested than all other countries in a rapid restoration, by united effort, of normal economic conditions in the world.

II.

THE ACTIVITIES OF THE NATIONAL ECONOMIC BANK IN 1932.

The grand total of the Bank's operations decreased slightly during the year under review. This was entirely in cash operations, the volume of issue activities continuing to expand. It should also be emphasized that it was the first time since the economic depression has been prevailing that there was an increase in deposits.

The balance sheet total of the National Economic Bank — exclusive of collections, guarantees and acceptances — decreased in 1932, as compared with 1931, by 21.3 million zlotys to 2,132.9 million zlotys. The grand total of the Bank's operations dropped from 16.4 milliard zlotys in 1931 to 13 milliard zlotys in 1932.

As a result of the transfer of the reserves to the capital, the own resources of the Bank increased by 4.6 million zlotys to 219 million zlotys. Deposits — without Treasury funds — increased by 22.4 million zlotys to 261.1 million zlotys. The Treasury deposits inclusive of the special accounts in the Section of Treasury funds administered by the Bank decreased by 30.7 million zlotys to 618.4 million zlotys. In consequence of an increase in deposits and a simultaneous decrease in short term credits, the rediscount indebtedness of the Bank with the Bank of Poland dropped by 19.6 million zlotys to 79.1 million zlotys and the balances of foreign short term bank credits were entirely repaid. The aggregate of the credit balances of these banks dropped, therefore, by 16.7 million zlotys to 40.7 million zlotys.

The grand total of the credit operations of the Bank amounted at the end of 1932 to 1,860.7 million zlotys, as compared with 1,875.8 million zlotys in 1931. The drop of 15.1 million zlotys was entirely in cash loans, which decreased by 60.7 million zlotys to 1,022.9 million zlotys. On the other hand, the bond loans increased by 45.6 million zlotys to 837.8 million zlotys. In this connection the fact should be mentioned that the decrease in cash loans along with an increase in bond loans was chiefly due to the conversion of outstanding cash building loans and partially long term communal loans into long term loans in mortgage bonds and debentures.

Among the particular items of the cash credits, the sharpest drop was in short term loans, the total falling by 39.7 million zlotys to 285.5 million zlotys. The medium term and long term credits in the General Banking Section rose by 2.9 million zlotys to 116.1 million zlotys. The credits in the Section of Treasury funds administered by the Bank decreased by 23.9 million zlotys to 642.3 million zlotys.

As a net result of the decrease in the cash loans and the simultaneous increase in the bond loans, the ratio of the latter to the total of credits rose from 42 per cent in

1931 to 45 per cent at the end of 1932. The ratio for the last nine years is shown in the following table:

Year	Total of credits	Cash credits	Percentage	Bond credits in millions of zlotys	Percentage
	in millions of zlotys				
1924	163	96	59	67	41
1925	431	266	62	165	38
1926	646	440	68	206	32
1927	1,027	636	62	391	38
1928	1,331	747	56	584	44
1929	1,472	809	55	663	45
1930	1,750	1,015	58	735	42
1931	1,876	1,084	58	792	42
1932	1,861	1,023	55	838	45

The total of securities, shares and participations, held by the Bank, increased in the course of the year under review by 3.5 million zlotys to 113.7 million zlotys, mainly owing to the fact that the Bank took over its own bonds when converting communal cash loans. The holdings of the remaining securities decreased. Details regarding the changes which occurred in the holdings of securities will be found in the third part of this Report.

The total of the cash resources of the Bank (cash in hand in zlotys and foreign currencies, with the Bank of Poland and the Post Office Savings Bank) decreased by 2.1 million zlotys to 51 million zlotys. Nevertheless, the ratio of cash to the capital of third parties in the General Banking Section (deposits, rediscount and credit balances of banks) showed no material changes, being 13.4 per cent, or very much the same as in 1931. The sole item which showed a decrease was the cover in cash for deposits, the figure dropping from 37.8 per cent in 1931 to 31.1 per cent at the close of 1932, mainly owing to an increase in deposits. On the other hand, there was a considerable increase in the reserve liquidity in the form of unutilized rediscount and lombard (credits against securities) quotas.

The net profit of the National Economic Bank for the financial year 1932 was, in round figures, 2,846,000 zlotys, a decrease of over 4 million zlotys, as compared with the previous year. This was due to the fact that the Bank was more freely granting easings to borrowers than in previous years. The most important easings were as follows: a 2 per cent reduction in the interest charged on bond loans on real estate with a simultaneous maintenance of the full payment of coupons; an allowance of a part of the coupons on securities, held by the Bank. In addition, the Bank transferred from the net profit one million zlotys to the fund destined for towns repaying the Ulen loans. The overhead charges — mainly personnel expenditure — were cut by 1.2 million zlotys. This was due to the fact that in addition to the two reductions which took place in 1931, the salaries of the authorities and the employees of the Bank were again reduced on the 1st October, 1932. The money thus saved in 1931, had no influence on the overhead charges of the Bank, as it had been paid over to the Interministerial Committee for the Promotion of Exports.

In view of the fact that — as had already been mentioned in the Report of Directors for the financial year 1931 — the arrangement of the balance sheet of the National Economic

Bank was amended at the close of 1929, all former statements and tables given in the present Report have been revised according to the new system in order to facilitate comparison of the current items with those for the previous years.

1. ISSUE SECTION.

(LOANS IN MORTGAGE BONDS AND IN COMMUNAL, BANK AND BUILDING DEBENTURES).

In contrast with the cash operations, the volume of the issue activities of the National Economic Bank expanded in 1932. However, if the total of the loans granted in 1932 is compared with that for 1931, the figure shows a decrease of about 22 per cent.

The total of bond loans granted by the Bank in 1932 amounted to 114.8 million zlotys and that of loans cancelled to 25 million zlotys, so that the sum actually paid out amounted to 89.8 million zlotys, as compared with 101.5 million zlotys in 1931. Of the remaining types of bond loans — with the exception of the loans originating from the conversion of cash building loans — the total of the loans repaid was in excess of that of fresh loans granted, so that the commitments of the Bank in respect of fresh bond loans granted in 1932 remained practically unchanged.

The total of bond loans granted in 1932 amounted to 63.6 million zlotys, a decrease of 18.1 million zlotys in comparison with 1931. The repartition of these loans by types and groups of Palatinates is given in the table on page 38. On examining this table it is obvious that the greatest part of the loans granted, i. e. 53.8 million zlotys, fell to the conversion of cash building loans. If, in addition, the fact is taken into consideration that the loans in communal debentures granted to towns are entirely originating from the conversion of communal cash credits, it is obvious that the cash payments which the Bank will be obliged to make will amount to some 2 million zlotys. These loans were restricted almost entirely to mortgage credits on real estate and urban properties.

In 1932, the National Economic Bank granted on real estate nine loans in 7 per cent mortgage bonds, totalling 1.1 million zlotys, as compared with thirteen loans, totalling 3.6 million zlotys in 1931. The thirty-two loans on urban immovable properties in 7 per cent mortgage bonds totalled 1.2 million zlotys, a decrease of 2.7 million zlotys. There was also a decrease in the number of loans originating from the conversion of cash building loans, the figure falling from 1,454 loans, totalling 69.2 million zlotys to 1,220 loans, totalling 53.8 million zlotys. The Bank only granted three communal loans in 7 per cent debentures, totalling 7.5 million zlotys, which fell entirely to loans for towns. Of these one loan amounting to 7.2 million zlotys was granted to Gdynia for the conversion of a communal cash loan. In the course of the year under review the Bank did not realize any loan in 7½ per cent bank debentures.

The major part of the above mentioned loans, namely 66.9 per cent, were to the Central Palatinates, 19.6 per cent to the Western Palatinates, 10.8 per cent to the Southern Palatinates and 2.7 per cent to the Eastern Palatinates.

The total of bond loans rose in the course of the year by 45.6 million zlotys to 837.8 million zlotys. The repartition of these issues into types and according to their state at the close of each year is shown in the table on page 34—35. As the issues of the late Polish National Bank were reduced by 0.8 million zlotys to

29.2 million zlotys, the entire increase was in bonds of the National Economic Bank. The total issues of both the National Economic Bank and the late Polish National Bank rose to 808.6 million zlotys. Increases were recorded in 7 per cent mortgage bonds, 8 per cent building debentures and 7 per cent communal debentures. The total of the remaining securities in circulation decreased owing to redemptions.

The holdings of the Bank in bonds issued by the Bank rose by 10.6 million zlotys — market value — to 51.7 million zlotys owing to the conversion of the loan granted to Gdynia.

The 8 per cent mortgage bonds, the 7 per cent mortgage bonds, 2nd issue, the 8 per cent communal debentures, the 7 per cent communal debentures, 2nd issue, and the 8 per cent building debentures, 1st issue, which had already been listed in the previous years, were dealt in on the Stock Exchange, no fresh securities of the National Economic Bank being introduced. Transactions were made exclusively in securities listed on the Stock Exchange. As in previous years, the Insurance Companies, the Post Office Savings Bank and the Bank of Poland were the chief recipients of the Bank's securities. The quotations of the Bank's issues on the Polish Stock Exchanges remained throughout 1932 on a firm level, i. e. 83.25 per cent and 94 per cent for the 7 per cent and the 8 per cent bonds, respectively.

As a result of a further aggravation of the economic position in 1932, the repayment of the instalments on bond loans slowed down slightly. Particularly noticeable was a significant falling off in the receipts of the local government authorities from taxes, a considerable decrease in the rent obtaining for flats and an increase in arrears of rents. In addition, numerous laws were published granting easings to agriculture, burdened by heavy debts. These laws caused certain difficulties in the enforcement of sums due. In consequence, the percentage of the repayments of the instalments falling due in 1932 dropped to 64 per cent, as compared with 75 per cent in 1931.

Giving due regard to the difficult position of borrowers, the Bank granted easings as far as possible. Only in fifteen cases were properties of debtors sold. In order to safeguard its funds, the Bank was obliged to buy six of these properties. The remaining were sold to people, who took over the responsibility for the Bank's loans.

In all cases deserving consideration, the Bank granted far-reaching facilities, postponing arrears and prolonging the periods of repayments. This policy was more liberally applied in respect of local government authorities. As far as real estates are concerned, the Bank lowered in 1932 by 2 per cent the interest charged on bond loans, maintaining, however, the full payment of the coupons. On the basis of the Order of the Minister of Finance of the 15th October, 1931 (Journal of Laws of the Republic of Poland No. 96, Item 735), the Bank prolonged the periods for the redemption of a considerable number of loans originating from the conversion of cash building loans to 36 years in respect of loans granted in mortgage bonds and to 25 years, in respect of loans granted in building debentures. The greatest easings to the debtors of the Bank were, however, granted by the Law of the 20th December, 1932. On the basis of this Law, the interest rate charged on bond loans was reduced and the periods of redemption were prolonged (Journal of Laws of the Republic of Poland No. 115, Item 950). The deficiencies of this Law were filled by the Executive Orders of the 6th February and the 22nd May, 1933.

According to the provisions of the aforesaid Executive Regulations, the interest charged on long term loans on real estate based on both the 8 per cent and the 7 per cent bonds, was reduced to 4.5 per cent per annum, beginning with the instalment falling due at the

POSITION OF MORTGAGE BOND

(In

D A T E	M o r t g a g e B o n d s		C o m m u n a l	
	8% 1st issue in gold zlotys former parity	7% 2nd, 3rd, 4th, 5th, 6th, and 7th issue in gold zlotys present parity	8% 1st issue in gold zlotys former parity	7% 2nd and 3rd issue in gold zlo- tys present parity
31st December, 1924	—	—	25,000,000.—	—
31st „ 1925	1,882,025.—	—	43,411,158.—	—
31st „ 1926	12,994,369.99	—	47,434,360.70	—
31st „ 1927	58,857,712.—	798,000	83,765,376.—	106,294,800.—
31st „ 1928	62,230,804.—	28,795,852	81,613,312.—	209,284,800.—
31st „ 1929	62,197,780.—	70,497,456	79,302,148.—	246,809,334.—
31st „ 1930	61,031,534.—	125,978,390	76,785,960.—	261,902,140.77
31st „ 1931	59,316,95.—	187,221,964	71,025,680.—	261,000,263.37
31st January, 1932	59,316,952.—	190,183,964	71,025,680.—	261,022,763.37
28th February, „	59,316,952.—	194,206,564	71,025,680.—	261,022,763.37
31st March, „	59,316,952.—	197,540,964	71,025,680.—	261,372,763.37
30th April, „	59,316,952.—	199,602,764	71,025,680.—	261,372,763.37
31st May, „	59,316,952.—	205,719,864	71,025,680.—	261,372,763.37
30th June, „	59,316,952.—	208,214,064	71,025,680.—	261,372,763.37
31st July, „	58,312,570.—	209,093,129	71,025,680.—	268,552,763.37
31st August, „	58,312,570.—	210,891,129	71,025,680.—	268,552,763.37
30th September, „	58,312,570.—	212,988,029	71,025,680.—	268,552,763.37
31st October, „	58,312,570.—	217,332,729	69,623,192.—	266,506,230.25
30th November, „	58,312,570.—	222,599,139	69,623,192.—	266,470,956.30
31st December, „	57,446,366.—	226,556,822	69,623,192.—	266,470,956.30

AND DEBENTURE ISSUES

zlotys)

Debentures		Bank De- bentures 7½% 1st and 2nd iss. in gold zlo- tys present parity	Building Debentures 8% 1st and 2nd issue in gold zlotys present parity	T o t a l	Issue of the late Polish National Bank 4% and 4½% Mortgage Bonds, and 4% and 4½% Com. Deb., and 4% Railway Deb. in gold zlotys present parity	Grand Total
8% in U.S.A. dollars, 1st and 2nd series	7% in U. S. A. dollars					
—	—	—	—	25,000,000.—	42,040,514.17	67,040,514.17
79,340,250	—	—	—	124,633,433.—	40,376,043.33	165,009,476.33
109,449,000	—	—	—	169,877,730.69	36,228,588.84	206,106,319.53
104,961,600	—	2,565,000	—	357,242,488.—	34,056,539.72	391,299,027.72
102,635,796	41,895,800	24,531,900	190,800	551,179,064.—	32,596,323.44	583,775,387.44
99,667,434	45,826,874	23,010,894	3,857,200	631,169,120.—	31,877,242.04	663,046,362.04
96,467,308	45,300,948	25,159,730	11,834,300	704,460,310.77	30,920,077.13	735,380,387.90
93,017,590	43,357,696	25,161,642	22,096,000	762,197,787.37	29,999,407.37	792,197,194.74
91,546,780	43,357,696	25,161,642	22,766,700	764,382,177.37	29,999,407.37	794,381,584.74
91,546,780	43,357,696	25,161,642	23,430,500	769,068,577.37	29,999,407.37	799,067,984.74
91,546,780	43,357,696	25,161,642	23,843,500	773,165,977.37	29,999,407.37	803,165,384.74
91,181,306	43,357,696	25,161,642	23,942,300	774,961,103.37	29,999,407.37	804,960,510.74
91,181,306	43,357,696	25,161,642	24,949,100	782,085,003.37	29,999,407.37	812,084,410.74
91,181,306	43,357,696	25,161,642	25,970,700	785,600,803.37	29,819,312.95	815,420,116.32
89,648,098	43,357,696	25,161,642	26,346,500	791,498,078.37	29,671,171.71	821,169,250.08
89,648,098	43,357,696	25,161,642	26,638,000	793,587,578.37	29,671,171.71	823,258,750.08
89,648,098	43,357,696	25,161,642	26,844,700	795,891,178.37	29,671,171.71	825,562,350.08
89,273,710	43,215,072	24,295,376	27,568,700	796,127,579.25	29,484,254.41	825,611,833.66
89,273,710	43,072,448	24,295,376	29,502,500	803,149,891.30	29,484,254.41	832,634,145.71
89,273,710	43,072,448	24,295,376	31,908,300	808,647,170.30	29,185,010.81	837,832,181.11

granted by the National Economic Bank up to the 31st December,

	Central			Eastern		
	Num- ber	zlotys	%	Num- ber	zlotys	%
Real estate	218	30,370,440	48.9	65	8,336,160	13.4
in 8% Mortgage bonds	139	17,745,240		36	4,752,360	
„ 7% „ „	79	12,625,200		29	3,583,800	
Urban immovables	265	26,765,460	49.9	46	3,360,740	6.3
in 8% Mortgage bonds	129	16,263,460		24	2,553,340	
„ 7% „ „	136	10,502,000		22	807,400	
Converted building loans	3,092	166,344,000	74.3	180	5,008,100	2.2
in 7% Mortgage bonds	2,417	138,351,900		148	4,424,400	
„ 8% Building debentures	675	27,992,100		32	583,700	
Treasury	2	146,200,000	100.0	—	—	—
in 8% Communal debentures	1	43,000,000		—	—	
„ 7% „ „	1	103,200,000		—	—	
District authorities	118	35,470,670	69.6	31	7,643,770	15.0
in 8% Communal debentures	36	13,090,920		5	1,032,000	
„ 7% „ „	56	13,688,600		8	1,218,800	
„ 7% „ „ in \$	26	8,691,150		18	5,392,970	
Municipalities	162	226,463,126	73.2	36	11,598,660	3.8
in 8% Communal debentures	42	14,878,000		8	2,528,400	
„ 7% „ „	102	94,285,800		26	6,930,900	
„ 8% „ „ in \$	9	110,034,416		—	—	
„ 7% „ „ „ „	9	7,264,910		2	2,139,360	
Rural Communes	9	435,040	31.7	11	463,000	33.8
in 8% Communal debentures	4	132,440		—	—	
„ 7% „ „	5	302,600		11	463,000	
Other Communal Unions	6	2,181,000	11.5	—	—	—
in 8% Communal debentures	—	—		—	—	
„ 7% „ „	6	2,181,000		—	—	
„ 7% „ „ in \$	—	—		—	—	
Industrial in 7½% Bank debentures	16	23,402,800	69.7	—	—	—
Total	3,888	657,632,536	56.9	369	36,410,430	4.0

BONDS AND DEBENTURES

1932, according to categories of borrowers and groups of Palatinates.

Western			Southern			Total			
Number	zlotys	%	Number	zlotys	%	Number	zlotys	%	%
66	15,459,960	24.9	52	7,954,240	12.8	401	62,120,800	100.0	6.9
35	7,039,960		35	4,957,040		245	34,494,600		
31	8,420,000		17	2,997,200		156	27,636,200		
251	11,231,924	20.9	261	12,286,982	22.9	823	53,645,106	100.0	6.0
64	4,982,324		132	7,639,982		349	31,439,106		
187	6,249,600		129	4,647,000		474	22,206,000		
570	18,220,500	8.1	1,332	34,445,200	15.4	5,174	224,017,800	100.0	24.9
442	16,073,000		1,205	31,161,700		4,212	190,011,000		
128	2,147,500		127	3,283,500		962	34,006,800		
—	—	—	—	—	—	2	146,200,000	100.0	16.2
—	—	—	—	—	—	1	43,000,000		
—	—	—	—	—	—	1	103,200,000		
11	2,809,560	5.5	27	5,007,690	9.9	187	50,931,690	100.0	5.6
1	430,000		5	526,320		47	15,079,240		
9	2,023,000		15	2,654,000		88	19,584,400		
1	356,560		7	1,827,370		52	16,268,050		
52	44,005,700	14.2	62	27,244,230	8.8	312	309,311,716	100.0	34.4
9	9,786,800		6	1,035,440		65	28,228,640		
37	27,979,100		45	19,657,000		210	148,852,800		
1	1,069,680		—	—		10	111,104,096		
5	5,170,120		11	6,551,790		27	21,126,180		
3	117,200	8.5	12	333,400	26.0	35	1,348,640	100.0	0.2
1	17,200		3	120,400		8	270,040		
2	100,000		9	213,000		27	1,078,600		
9	16,650,000	87.7	4	160,400	0.8	19	18,991,400	100.0	2.1
1	344,000		2	120,400		3	464,400		
5	7,392,000		2	40,000		13	9,613,000		
3	8,914,000		—	—		3	8,914,000		
2	730,000	2.2	2	9,425,000	28.1	20	33,557,800	100.0	3.7
964	109,224,844	12.1	1,752	96,857,142	10.8	6,973	900,124,952	100.0	100.0

end of December, 1932. The interest charged on all other types of loans, namely long term mortgage loans on urban immovables, both direct and those originating from the conversion of cash building loans, communal loans and industrial loans was reduced to 5.5 per cent per annum, beginning with the second half-yearly instalment falling due in 1932. In respect of loans originating from cash building credits, the borrowers pay 3 per cent, the State Building Fund for the Expansion of Towns paying the balance.

Although the interest charged on the bond loans was reduced, the National Economic Bank continues to pay the full interest on the coupons of its securities held by private individuals and companies both at home and abroad. The interest was only reduced on the coupons of the securities held by the State and State institutions enumerated in § 1 of the Order of the Minister of Finance of the 6th February, 1933 (Journal of Laws No. 7, Item 47).

The periods of the redemption of bond loans were also prolonged. Mortgage loans on real estate, regardless of the periods for which they had been granted, will be redeemable within 55 years. The maximum period for mortgage loans and converted loans on urban immovables was fixed at 47 years, for communal loans at 46 years and for industrial loans at 20 years.

Although it is anticipated that the aforesaid Law will stimulate payment of instalments on bond loans, some time will elapse before the long term capital market will become familiar with the new forms created by this Law. As a result, there will be a certain interval, or a slowing down of the pace in the granting of bond loans. All the promissory notes of the Bank which had been made out for bond loans were cancelled at the same time by the Law of the 20th December, 1932. Inasmuch as the promissory notes for the conversion of cash building credits are concerned, they will be revised and made effective in 1933, on the bases established in the Orders of the Minister of Finance of the 31st March, 1933 (Journal of Laws No. 26, Item 220).

In response to the conditions prevailing on the security market, the Bank commenced in 1932 to grant long term cash loans secured and repayable in the same way as long term bond loans. These loans may become the practical basis for fresh issues of the Bank as and when adequate conditions present themselves.

2. BANKING SECTION.

A) WORKING CAPITAL.

The **own capital** of the Bank was increased in 1932 by zł 4,576,000 to zł 218,995,000 chiefly owing to the transfer to the reserve fund and to the special reserve for the Bank's issues of the statutory part of the net profit for 1931. The foundation capital of the Bank remained unaltered.

Deposits and Treasury Funds. — The total of Treasury deposits and funds showed practically no changes, amounting at the close of 1932 to 744.7 million zlotys, as compared with 745.4 million zlotys in 1931. There was, however, a significant movement to the advantage of deposits, the total of which rose by 22.4 million zlotys to 261.1 million zlotys, while the Treasury funds decreased by 23 million zlotys to 483.6 million zlotys. As a net result,

the proportion of the Treasury funds to the total of deposits and funds dropped from 68 per cent in 1931 to 64.9 per cent in 1932. This increase should be emphasized all the more as it has occurred for the first time during the years of the prevailing crisis.

In the following table is given the repartition of deposits by types (in thousands of zlotys):

Y E A R	Call deposits					Fixed deposits	Sundry credit balances	Total
	Cheque accounts	Foreign currency accounts	Savings deposits	Commun. sav. banks current accounts	Total			
1924	24,517	537	869	—	25,923	41,020	225	67,168
1925	31,773	17,131	2,750	—	51,654	14,146	6,081	71,881
1926	78,643	11,423	4,288	—	94,354	53,434	3,203	150,991
1927	117,047	22,884	11,299	—	151,230	59,106	19,887	230,223
1928	137,385	17,155	19,206	6,964	180,710	136,253	8,304	325,267
1929	97,015	8,286	23,800	1,963	131,064	116,099	7,861	255,024
1930	69,610	10,282	34,991	1,965	116,848	103,681	22,613	243,142
1931	78,870	6,170	46,425	3,355	134,820	97,981	5,897	238,698
1932	96,795	5,173	53,030	3,737	158,735	97,156	5,217	261,108

The table hereafter illustrates the state of deposits and Treasury funds as on December 31st of each of the years 1924—1932, according to categories of depositors:

Y E A R	Grand total in millions of zlotys	Treasury funds		Deposits in millions of zlotys					
		In millions of zlotys	Percent	Total	State Institutions	Insurance Companies	Local Government Institutions	Public Utility Companies	Private Instit. and Individuals
1924	69.5	—	—	—	—	—	—	—	—
1925	251.0	179.1	71.4	71.9	2.7	—	8.3	9.7	51.2
1926	468.1	317.1	67.7	151.0	56.5	—	16.3	22.1	56.1
1927	603.5	373.3	61.9	230.2	97.5	—	16.5	20.8	95.4
1928	713.3	388.0	54.4	325.3	115.4	—	63.2	30.1	116.6
1929	672.2	417.2	62.1	255.0	87.4	—	19.4	38.8	109.4
1930	752.3	509.2	67.7	243.1	59.9	23.5	14.5	—	145.2
1931	745.4	506.7	68.0	238.7	70.8	13.6	12.2	—	142.1
1932	744.7	483.6	64.9	261.1	81.5	20.7	25.4	—	133.5

Among the various types of deposits, only demand deposits increased by 23.9 million zlotys to 158.7 million zlotys. On the other hand, the fixed deposits decreased by 0.8 million zlotys to 97.2 million zlotys and the credit balances by 0.7 million zlotys to 5.2 million zlotys. In the group of demand deposits, the greatest increase took place in cheque accounts, attaining 96.8 million zlotys, an increase of 17.9 million zlotys over the year. The savings deposits rose by 6.6 million zlotys to 53 million zlotys. In contrast, the foreign currency accounts dropped by 1 million zlotys to 5.2 million zlotys. In the fixed deposits, over 5 million zlotys were transferred from the zloty account to the foreign currency accounts.

The deposits with the National Economic Bank showed increases in every month of

1932, with the exception of October. In all the months of the year, with the exception of January, the total of deposits was larger than at the end of 1931. The largest variations were recorded in the cheque accounts. Their total fluctuated within the limits of 77 million zlotys in January and 109.9 million zlotys in September. The savings deposits were steadily increasing in the course of the first four months. In May and June they decreased. At the end of June they stabilized for the next five months at the level of about 50 million zlotys, i.e. about 5 million zlotys more than at the end of 1931. In December they commenced again to increase. The fixed deposits showed practically no changes. The drop recorded in September was more than balanced in the next month.

In view of the fact that the deposits of institutions and private individuals decreased by 8.6 million zlotys to 133.5 million zlotys, the entire increase which had been recorded in 1932 was in public deposits. The greatest increase was in the deposits of local governments, which rose by 13.2 million zlotys to 25.4 million zlotys, followed by deposits of State institutions which rose by 10.7 million zlotys to 81.5 million zlotys and, finally, public legal insurance companies' deposits, which rose by 7.1 million zlotys to 20.7 million zlotys. The deposits of private individuals and companies constitute more than 50 per cent of the total of deposits, of which more than 40 per cent fell to savings deposits.

The share of the Head Office, in the total of deposits decreased, the Branch Offices being responsible for the lion's share of the increase. The ratio of the Head Office to the total of deposits dropped from 45.1 per cent in 1931 to 41.3 per cent in 1932. Inasmuch as the Branch Offices are concerned, the largest increases in deposits were recorded at Lwów, Katowice, Łódź and Cracow.

The decrease in the Treasury funds has exclusively to be ascribed to the conversion of cash building loans into bond loans. As a result, the building funds dropped by 35.4 million zlotys to 287.4 million zlotys. On the other hand, the various funds rose by 12.4 million zlotys to 122.4 million zlotys. The remaining types of funds showed no important changes. The special accounts, being the equivalent of the analogous item on the "Liabilities" side, decreased by 7.6 million zlotys to 134.8 million zlotys.

Banks and rediscount. The National Economic Bank had already in 1931 repaid the larger part of credits contracted in previous years with foreign banks. In the course of the first six months of 1932, the Bank repaid the balance of these credits. As a net result, the total of the credit balances of banks decreased from 57.4 million zlotys in 1931 to 40.7 million zlotys on the 31st December, 1932. Of the decrease amounting to 16.7 million zlotys, 15.9 million zlotys fell to foreign banks, while the indebtedness towards Polish banks decreased but slightly by 0.8 million zlotys to 33.3 million zlotys.

As a result of a decrease in the turnover with abroad, there was a slight decrease in the debit accounts of foreign banks of 2.3 million zlotys to 7.6 million zlotys. Only emigrants' drafts, mainly from America, increased by more than 100 per cent.

The increase in deposits along with important repayments of credits was responsible for the considerable drop in the rediscount credit with the Bank of Poland, the latter falling in the course of 1932 by 19.6 million zlotys to 79.1 million zlotys. The total of the rediscount with the Bank of Poland showed throughout the whole of the year a decrease in comparison with the state recorded at the end of 1931. The greatest use of rediscount, 91.6 million zlotys, was at the end of January and the smallest, 73.2 million zlotys, at the end of November. Although the rediscount decreased, the ratio of its total to the total of bills in portfolio remained practically unchanged, as compared with 1931. This was due

to a simultaneous decrease in discount operations. The ratio was 57.2 per cent at the end of 1932, as compared with 55.6 per cent on the 31st December, 1931. In the course of the year under review, it fluctuated within the limits of 47.9 per cent (in February) and 60.3 per cent (in July).

B) CASH CREDITS.

The total of the cash credits of the National Economic Bank decreased in the course of 1932 by 60.7 million zlotys to 1,022.9 million zlotys. However, in view of the fact that cash building credits amounting to 53.8 million zlotys and communal credits amounting to 7.2 million zlotys were converted into bond loans, the entire decrease was due to the conversion operations.

The largest decrease was in short term credits which dropped by 39.7 million zlotys to 285.5 million zlotys. The medium and long term credits in the General Banking Section increased slightly by 2.9 million zlotys to 119 million zlotys. The credits in the Section of Treasury funds administered by the Bank decreased by 23.9 million zlotys to 618.3 million zlotys.

The development of cash credits in the years from 1924 to 1932 by types of credits is given in the following table (in thousands of zlotys):

Y E A R	Grand total of cash credits	Short term credits				Long term cash credits		
		Total	Bills discount- ed	Fixed loans	Current accounts	Total	General Banking Section	Treasury funds ad- ministered by the Bank
1924	96,548	82,311	48,277	25,684	8,350	14,237	11,888	2,349
1925	266,742	122,556	52,953	22,285	47,318	144,186	15,908	97,710
1926	439,683	156,728	73,309	24,554	58,865	282,955	14,338	211,871
1927	636,122	220,340	136,907	21,614	61,819	415,782	32,181	214,731
1928	747,637	282,274	177,441	40,149	64,684	465,363	56,544	164,009
1929	808,711	326,678	185,064	62,071	79,543	482,033	44,768	169,979
1930	1,015,018	317,120	168,278	35,082	113,760	697,898	91,206	286,523
1931	1,083,573	325,176	169,264	30,329	125,583	758,397	96,384	346,303
1932	1,022,853	285,460	135,546	24,442	125,472	737,393	102,684	343,280

In the group of short term credits, there was a general decrease in all the sections. The largest decrease was in bills discounted which dropped at the end of 1932 to 131.2 million zlotys, a decrease of 32.2 million zlotys in comparison with the end of 1931. The percentual decrease was still larger in fixed loans, the total dropping by 5.9 million zlotys to 24.4 million zlotys. Protested bills of exchange decreased by 1.5 million zlotys to 4.3 million zlotys. The total of the current accounts amounted on the 31st December, 1932, to 125.5 million zlotys, a decrease of 0.1 million zlotys, as compared with 1931. The rather important decrease in the bill holdings of the Bank must be attributed to the falling off in economic turnover and the shrinking demand for credit. This finds ample evidence in the simultaneous increase in deposits. The largest decrease was in the demand for discount

GENERAL SUMMARY OF CASH CREDITS
according to the particular categories of borrowers
as per December 31st, 1932
(In thousands of zlotys)

B O R R O W E R S	Total sum of cash credits	In % of the total sum	Short term credits				Long term cash loans General Banking Section	Credits from Treasury fund administered by the Bank
			Total	Bills discounted	Fixed loans	On current accounts		
I. State Institutions and Enterprises	245,887	24.04	72,666	42,457	1,850	28,359	30,709	142,511
1. Institutions								
a) building loans	1,265	0.12	—	—	—	—	—	1,265
b) other credits	176,447	17.25	39,894	20,000	1,550	18,344	344	136,209
2. Undertakings	68,175	6.67	32,772	22,457	300	10,015	30,365	5,038
3. Associated Undertakings	42,207	4.13	38,535	8,097	952	29,486	429	3,243
II. Local Authorities	118,549	11.59	6,011	1,661	3,174	1,176	63,171	49,367
1. Offices:								
a) building loans	47,676	4.66	—	—	—	—	6	47,670
b) other credits	70,478	6.89	5,624	1,477	3,174	973	63,160	1,694
2. Undertakings	395	0.04	387	184	—	203	5	3
III. Co-operative Societies (excl. credit in- stitutions)	170,961	16.71	15,837	4,823	208	10,806	9,479	145,645
1. Agricultural-trading	49,028	4.79	13,758	3,857	5	9,896	400	34,870
2. Building:								
a) on building loans	115,872	11.33	—	—	—	—	8,155	107,717
b) on other accounts	4,506	0.44	524	3	111	410	924	3,058
3. Others	1,555	0.15	1,555	963	92	500	—	—
IV. Financial Institutions	96,655	9.45	37,496	22,773	4,705	10,018	477	58,682
1. Banks	64,234	6.28	7,511	1,288	—	6,223	452	56,271
2. Communal Savings Banks	20,060	1.96	20,060	13,395	4,420	2,245	—	—
3. Co-operative Savings and Credit Societies	10,157	0.99	9,709	8,090	85	1,534	25	423
4. Others	2,204	0.22	216	—	200	16	—	1,988
V. Agriculture and Breeding	53,345	5.22	49,971	31,670	5,942	12,359	3,306	68
VI. Mining	3,682	0.36	657	461	56	140	25	3,000
1. Coal	3,033	0.30	33	—	33	—	—	2,000
2. Petroleum	625	0.05	600	446	17	137	25	—
3. Others	24	0.01	24	15	6	3	—	—
VII. Industry	119,396	11.67	39,018	16,176	4,083	18,759	586	79,792
1. Foundry	11,632	1.14	745	194	56	495	—	10,887
2. Metal	2,028	0.20	1,718	837	217	664	10	300
3. Engineering and Electrical	4,826	0.47	4,817	1,973	42	2,802	9	—
4. Articles from precious metals and pre- cision goods	17	—	17	—	—	17	—	—
5. Mineral and Ceramic:								
a) adhesive substances	4,719	0.46	1,028	76	6	946	2	3,689
b) brick	6,751	0.66	6,719	593	1,786	4,340	32	—
c) other	759	0.07	759	353	361	45	—	—
6. Chemical:								
a) artificial fertilizers	656	0.06	656	612	—	44	—	—
b) other	1,974	0.19	1,647	805	216	626	327	—
7. Textile	34,381	3.36	3,580	1,879	635	1,066	1	30,800
8. Leather	711	0.07	710	67	33	610	1	—
9. Paper	3,439	0.34	1,073	207	—	866	4	2,362
10. Timber	6,152	0.60	3,227	1,444	266	1,517	7	2,918
11. Foodstuffs:								
a) sugar	10,928	1.07	1,993	1,907	22	64	—	8,935
b) distilling	21,125	2.07	3,434	2,019	6	1,409	17	17,674
c) brewing	681	0.07	632	293	34	305	49	—
d) flour milling	2,415	0.24	2,322	1,259	43	1,020	93	—
e) baking	2,470	0.24	240	20	45	175	3	2,227
f) others	1,158	0.11	1,158	169	110	879	—	—
12. Clothing and Fancy Goods	688	0.07	688	32	1	655	—	—
13. Polygraphic	442	0.04	442	237	165	40	—	—
14. Building	837	0.08	812	693	5	114	25	—
15. Gas, water and electricity	163	0.02	163	163	—	—	—	—
16. Others	444	0.04	438	344	34	60	6	—
VIII. Artizans	494	0.05	494	44	405	45	—	—
IX. Trade	12,745	1.25	8,912	4,348	209	4,355	18	3,815
1. Agricultural	7,430	0.73	3,615	2,345	59	1,211	—	3,815
2. Others	5,315	0.52	5,297	2,003	150	3,144	18	—
X. Communication and transport	3,224	0.31	2,006	292	1,282	432	12	1,206
XI. Miscellaneous	155,708	15.22	13,857	2,744	1,576	9,537	10,854	130,997
1. Social Institutions								
a) building loans	66,088	6.46	—	—	—	—	2,441	63,647
b) other credits	6,195	0.60	5,820	1,359	595	3,866	209	166
2. Others								
a) building loans	60,528	5.92	—	—	—	—	5,780	54,748
b) other credits	22,897	2.24	8,037	1,385	981	5,671	2,424	12,436
Total	1,022,853	100.00	285,460	135,546	24,442	125,472	119,066	618,327

credit on the part of the agriculturalists, followed by industry. The largest decrease in the demand for fixed credits was on the part of communal savings banks and agriculture.

With a few exceptions, every month of the year witnessed a fresh drop in short term credits. The lowest total was recorded on the 31st December, 1932. This was due to a rather gradual reduction of the bill portfolio, continuing throughout the year, with the exception of April, June, and August. The total of protested bills was at the end of July on the level of the last quarter of 1931, i.e. at about 8 million zlotys, so that the total decrease on this account fell to the second half-year. The development of the fixed loans showed a reversed trend. The drop was entirely in the first half-year; since June the total remained approximately at the level of 24.5 million zlotys. Relatively slight fluctuations were in current accounts. They moved within the limits of 130.8 million zlotys (in April) and 123.3 million zlotys (in November). They rose in the first quarter of 1932 and in August and September. They dropped in the remaining months, their total at the end of the year being very much the same as at the end of 1931.

The ratio of protested bills of exchange to those presented for payment decreased considerably in 1932, as compared with 1931. It fluctuated within the limits of 8.21 per cent (in February) and 3.18 per cent (in September), as compared with 9.88 per cent (in March) and 5.24 per cent (in May) in 1931. In December, 1932, the ratio was 3.21 per cent, while in the same month in 1931 it was 7.71 per cent.

The short term credits decreased by 32.2 million zlotys. Of this, the Head Office was responsible for 10.3 million zlotys and the Branch Offices for the balance. The largest decreases in this group were at Katowice and Lwów, while Gdynia showed a considerable increase, reflecting the expansion of the traffic of this port.

The increase in the medium and long term loans in the General Banking Section was entirely in communal loans, their total amounting at the end of 1932 to 62.6 million zlotys, an increase of 6.5 million zlotys, as compared with 1931. This increase was mainly due to the conversion of a loan granted to the City of Cracow as well as to the addition of the interest on communal loans. The total of the building loans granted from the Bank's own funds decreased by 3.4 million zlotys to 16.4 million zlotys. The remaining accounts showed only slight changes.

The decrease of 17.3 million zlotys in the credits granted from the Treasury funds administered by the Bank, was entirely in the building credits from the State Building Fund. These decreased by 20.9 million zlotys to 275 million zlotys mainly owing to the fact that the conversions were in excess of fresh loans. The remaining accounts showed an increase. In detail: the relief loans for banks rose by 0.6 million zlotys to 35.9 million zlotys and the sundry credits rose by 3 million zlotys to 122.8 million zlotys. The special accounts dropped by 6.7 million zlotys to 136.9 million zlotys, chiefly owing to the liquidation of the evidential accounts connected with the work of the State Building Fund. In addition, the export credits granted to the Upper Silesian iron foundries were almost entirely repaid. In contrast, the credits for financial institutions increased.

Among the various economic sections benefiting from the credits of the National Economic Bank, the greatest decreases were in the loans granted to the following groups: Co-operative Societies, other than credit, 30.1 million zlotys to 171 million zlotys, the credits of the Agricultural Co-operative Societies decreasing by 5.5 million zlotys and those of the House Building Co-operative Societies by 24.6 million zlotys; Industry 29.5 million zlotys to 119.4 million zlotys; Agriculture 8.1 million zlotys to 53.3 million zlotys; Institutions

and State Undertakings 5.8 million zlotys to 288.1 million zlotys. In contrast, there was a significant increase in the credits granted to Financial Institutions, the figure rising by 11.4 million zlotys to 96.7 million zlotys. This was entirely in respect of banks. The indebtedness of the Local Governments rose by 5.6 million zlotys to 118.5 million zlotys.

a. Building credits.

The factors which have been responsible since 1931 for a restriction in the volume of the building credit action of the National Economic Bank, became more pronounced in 1932. The budgetary difficulties of the Treasury were accompanied by a set-back in the financial position of the public legal Insurance Companies, which were in the previous years important suppliers of money for the State Building Fund. As a result, if compared with 1931, the credits destined for the financing of building decreased by more than 50 per cent.

As in 1931, the Bank continued to grant credits primarily for the completion of those buildings which had already been financed by the Bank. For new buildings, the Bank favoured the construction of small houses, both of wood and stone. In addition, the Bank financed the construction of the houses of the purchasers of securities and acted as an agent in the building campaign of the Social Insurance Companies.

The demand for credits for those houses which had already been financed by the Bank was fixed in 1931 at 29 million zlotys. Of this, the demands on the books of the Bank totalled 24 million zlotys. During the year under review, the demand increased by a further 2 million zlotys to 31 million zlotys. This amount — together with the balance left over from the previous year — being almost entirely used, there was only left a small margin for 1933. As a result, all the houses the financing of which had been commenced in 1930, have already been completed or will be completed early in 1933.

Special emphasis has to be laid on the broadening of the work for encouraging the construction of small dwelling houses, particularly wooden houses. The initiative in this respect was taken by the Government at the moment when there was concrete evidence of a general slackening of public interest in building large blocks of houses. This was directly due to a steady falling off in the revenue from houses, resulting from the prevailing economic crisis and the consequent pauperization of large masses of the population. In these circumstances, the scheme has completely met the expectations of the Government, while the persons who built houses secured a roof for themselves and full security for the capital invested.

In 1932, the action was of an experimental character and was intended chiefly to aid the financially weak members of the population. It enabled the possessors of small savings, supported by a relatively small credit, to have a house of their own. Of the 5 million zlotys destined for this purpose, 4 million zlotys was granted in 1932 for the construction of small wooden houses and 1 million zlotys for stone houses. The Bank opened an enquiry in order to know how many persons in towns were interested in this action. In response some 300 towns applied for credits amounting to 42 million zlotys. In view of the fact that in 1932 only 5 million zlotys were destined for this purpose, the credits were restricted to 38 towns, a certain quota being reserved for each town. Credits have been granted from this fund by the Bank on the basis of the existing regulations and the amendment of the Law, published in June, 1932, dealing with the expansion of towns. It was, however, decided that

the credit for the construction of one house should not exceed 4,000 zlotys, i. e. not more than 50 per cent of the value of the house in question. In addition, everybody who does not fully use the credit accorded, is entitled to benefit on advantageous conditions from a credit, within the aforesaid limits, for the purchase from the State saw-mills of the timber necessary for the construction of his house.

The interest shown in this scheme was only moderate, especially where wooden houses were concerned. Although the Bank endeavoured to distribute the credits as soon as possible and far-reaching easings were granted and the procedure for the obtaining of the loans was made very simple, the total of 4,500,000 zlotys, allotted for this purpose, could not be fully allocated up to the end of 1932. Because interest has been distinctly lacking in the towns situated in the Western and Southern Palatinates, the amounts which were not used for the construction of wooden houses, were destined for stone houses. Nevertheless, the results obtained may be considered as satisfactory, there being concrete evidence that money which had hitherto been hoarded has been invested. Conclusions in this connection may be drawn from the fact that while up to the end of 1932 only 2,132,000 zlotys was granted for the construction of wooden houses and 900,000 zlotys for stone houses, the total amounts invested were 6,516,000 zlotys and 5,773,000 zlotys, respectively. In the first case, the ratio of credits to the total cost of construction was about 30 per cent. In the second case, it was still more favourable, being about 16 per cent. These figures clearly testify to the favourable results obtaining from the scheme and there are justified hopes of an increased movement in the future.

The State Building Fund was further assisted by the sums obtained from the purchase of securities of the Bank by the Social Insurance Companies and other public legal Institutions. These receipts were destined for the financing of buildings indicated by the purchasers of the bonds and also for the construction of houses for these Institutions, according to the resolution of the Council of Ministers of the 4th December, 1929. This way of assisting the State Building Fund, which largely contributed to an increase in the building credit action, has also this year been restricted. This was due to the fact that the Insurance Companies, being deprived of their normal receipts from insured persons and being in addition obliged to extend their contributions to the unemployed, were unable to buy securities for the financing of fresh houses. They mainly bought those securities which they had previously earmarked.

The following summary illustrates the total building funds at the disposal of the National Economic Bank in 1932, exclusive of the building projects of the Social Insurance Companies:

1. State Funds:

a) Balance left over from previous years	Zl 2,360,215.—
b) Financed buildings	„ 7,290,400.—
c) Fresh buildings	„ 1,510,875.—
d) Small dwelling houses	„ 4,550,000.—
e) Purchase of securities for individual buildings . .	„ 4,479,600.—
f) Repayment of funds	„ 2,755,000.—
g) Sundry	„ 430,191.—
Total	<u>Zl 23,376,281.—</u>

2. Bank's own funds	<u>„ 2,636,000.—</u>
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Grand total Zl 26,012,281.—

The state of the building accounts is shown in the following table:

Funds	Amounts available	Loans accorded		
		No.	zlotys	in %
State Building Fund . . .	23,376,281.—	1,327	22,006,500.—	94.14
Bank's own funds . . .	2,636,000.—	39	2,636,000.—	100.00
Total	26,012,281.—	1,366	24,642,500.—	94.73

On account of the Insurance Companies' own building work, not included in the above summary, the Bank received zł 9,864,000. Of this amount zł 8,923,300 was utilized in the first place for those loans accorded in 1931 for which the necessary money had not been received. As a result only zł 940,700 were available for the financing of building in 1932. The Bank accorded, however, loans amounting to zł 4,828,700 on the condition that the balance, i. e. zł 3,888,000, be transferred to the Bank in 1933.

The building credits accorded by the National Economic Bank in 1932 from the various funds and their distribution by types of borrowers are shown in the following table:

Borrowers	State funds		Bank funds		Total		Percent
	No. of loans	Amount in Zł	No. of loans	Amount in Zł	No. of loans	Amount in Zł.	
Communes	32	1,048,900.—	—	—	32	1,048,900.—	3.56
Co-operative Societies . .	145	12,786,600.—	25	2,359,000.—	170	15,145,600.—	51.39
Social Institutions . . .	22	7,208,150.—	1	88,000.—	23	7,296,150.—	24.76
Private Individuals . . .	1,132	5,791,550.—	13	189,000.—	1,145	5,980,550.—	20.29
Grand total . . .	1,331	26,835,200.—	39	2,636,000.—	1,370	29,471,200.—	100.00

The loans accorded in 1932 from the State funds amounted to zł 26,835,200. Of this amount 63.99 per cent were granted by the Department of Building Credits and the balance, i. e. 36.01 per cent by the Branch Offices. The largest loans were made by the Gdynia Office, followed by the Branches at Łódź, Cracow and Lwów.

Building enterprises which had been financed in 1932 by the National Economic Bank, gave 5,686 flats of 12,091 rooms.

In 1931, only 7,860 rooms were constructed, though credit accommodation for building purposes was on a scale far exceeding that in 1932. The relatively large number of rooms erected in 1932 must mainly be attributed to the encouragement of the construction of small houses. This fact clearly indicates that the new scheme of the Government had a beneficial effect on building activities generally. Of the building credits granted in 1932 by the Bank, zł 2,131,800 was apportioned for wooden houses and zł 929,800 for stone houses. The number of rooms erected was 3,261 and 1,840, respectively. It may be of interest to call attention to the fact that of the total credits realized by the Bank in 1932 for the construction of both wooden and stone houses, amounting to zł 3,061,600, no less than 862 houses were erected, giving 5,101 rooms.

The following statement illustrates the total building credit operations of the National Economic Bank from 1924 up to the 31st December, 1932:

In the following table will be found the distribution of the above loans, according to purposes:

New buildings	13,952 loans, totalling Zl 527,248,029
Reconstruction and extension work	121 loans, totalling „ 1,952,200
Repairs	407 loans, totalling „ 7,125,573
Aggregate	14,480 loans, totalling Zl 536,325,802

The number of rooms completed and under construction for the entire period of the building operations of the Bank, i. e. since 1924 up to 1932, amounted to 164,637.

Out of the total sum of building loans granted by the Bank, up to the 31st December, 1932, the following amounts fell to each of the particular categories of borrowers:

Borrowers	State funds		Bank funds		T o t a l		Percent
	No. of loans	Amount in Zl	No. of loans	Amount in Zl	No. of loans	Amount in Zl	
Military Billetting Fund .							
Communes	1	2,500,000.—	—	—	1	2,500,000.—	0.5
Co-operative Societies . .	505	55,990,862.33	9	278,250.—	514	56,269,112.33	10.5
Social and Welfare Institutions	1,621	201,936,190.—	174	23,090,100.—	1,795	225,026,290.—	41.9
Private Individuals . .	477	82,798,900.—	67	4,452,806.81	544	87,251,706.81	16.3
	10,669	144,950,887.64	957	20,327,805.36	11,626	165,278,693.—	30.8
Aggregate	13,273	488,176,839.97	1,207	48,148,962.17	14,480	536,325,802.14	100.0

The state of the building accounts, as per December 31st, 1932, was as follows:

1. Loans granted from the State Building Fund	Zl 275,047,409.22
2. „ „ „ „ Bank's own funds	„ 16,381,592.61
Total	Zl 291,429,001.83

The total of the building loans decreases as and when repayments are made, or cash loans are converted into bond loans, or if it is impossible to convert them, owing to legal or technical hindrances, the repayment is made in cash in fixed instalments. The total of the bond loans originating from the conversion of cash building loans was on the 31st December, 1932, Zl 211,629,000. Further details in this respect will be found in the Bond Issue Section of this Report.

If, in addition, the short term credit of Zl 20,000,000 granted by the National Economic Bank to the Military Billetting Fund for the erection of dwelling houses for officers and non-commissioned officers is taken into account, the total of building credits — both cash and those which had already been converted into bond loans — amounts to Zl 523,000,000.

Apart from the above mentioned activities of the Bank connected with the financing of dwelling houses, emphasis should be laid on the scheme which was brought forward for

credit facilities for building purposes in 1933 and the policy which has to be put into operation in the near future for the construction of flats. The initial basis for this work was the conclusion reached by the Economic Committee of Ministers in July, 1932, calling into being a Commission under the chairmanship of the President of the National Economic Bank in which the representatives of the Ministries concerned took part. The most pressing task of the Commission was to prepare a plan for the construction of small houses in 1933.

The Commission completed its work in December, 1932, adopting resolutions regarding the following problems, demanding immediate attention and calling for early solution:

1. Finance: to summarize the actual credit requirements for building purposes and to indicate the lending policy to be practised in 1933; to increase the profit earned on and the security of private capital invested in building through a reduction in the cost of credit granted from State funds; to attract this capital to building by securing for it a first mortgage, leaving for the public funds, completing the capital required, a second mortgage;
2. Cost of building: to reduce the cost through lowering the stamp duties; court of justice, notary, and mortgage charges; a reduction in freights; normalization of the building elements, etc.;
3. Taxation: easings for building; the settling of the legal position of Dwelling House Co-operative Societies;
4. Building action: to organize the preparations for building activities, i. e.: site propaganda and the creation of a superior control for the settling of questions connected with the construction of dwelling houses.

Finally, it is essential to state that to facilitate and to encourage the construction of small houses, the above mentioned resolution of the Economic Committee of Ministers recommended the granting of sites at low prices. To deal further with this matter, a Commission was appointed to decide on the areas to be used in 1933 and the provision of public utility services on them. This Commission, in which have seats the representatives of the Ministries concerned, acts under the chairmanship of the President of the National Economic Bank. The administration of the State sites destined for the construction of dwelling houses has been concentrated with the National Economic Bank. It was also decided to restrict activities in 1933 to those towns in which the demands for flats and the number of unemployed are greatest and to those where the allotment of building sites will be the easiest.

b. Credits for State Institutions and Enterprises.

The credits granted by the National Economic Bank to the State Institutions and Enterprises decreased by 2.7 million zlotys to 245.9 million zlotys. The decrease was in all groups of credits, namely: the indebtedness of the State Institutions dropped by 1.9 million zlotys to 177.7 million zlotys; that of the State Enterprises dropped by 0.8 million zlotys to 68.2 million zlotys.

About three-fifths of the aforesaid credits, i. e. 142.5 million zlotys were due to various Treasury operations having equivalent sums on the Liabilities side of the balance sheet in Sundry Funds and/or in Treasury Deposits. It should be added that the largest item, amounting to 62.8 million zlotys and included in the credits for State Institutions

is in reality not a credit. It is a purely evidential item under the head of the obligation weighing on the State Building Fund to deliver fixed interest bearing securities to the Insurance Companies for the cash deposits of these Institutions destined for the financing of the construction of dwelling houses.

c. Credits for Enterprises belonging to the National Economic Bank Associates.

The indebtedness of the above Enterprises towards the Bank decreased by 3.1 million zlotys to 42.2 million zlotys.

In 1932 the Bank sold its holdings in the "Azot" Company. The shares were taken up by the State Nitrate Works at Chorzów. The Bank also sold its holdings in the Propeller Works "W. Szomański & Co". As in previous years, the Bank continued to reduce its interest in industrial enterprises. With the exception of small short term commercial credits no other credits were granted to enterprises associated with the Bank. It should be observed that the Order of the President of the Republic of Poland, dated the 3rd December, 1930, cancelled Article 11 of the former Decree regarding the National Economic Bank, which had authorized the Bank to participate in fresh industrial enterprises.

The Bank's holdings of shares and participations in the associated enterprises rose by 1.5 million zlotys to 32.8 million zlotys. The holdings of the Bank are chiefly composed — in addition to the shares of the Bank of Poland — of shares of the Towarzystwo Eksploatacji Soli Potasowych and of participations in enterprises situated in the territory of the Free City of Danzig, especially the British and Polish Trade Bank, the Bank of Danzig, the Tobacco Monopoly of Danzig. A detailed statement of the holdings of shares and participations will be found in the "Comments on the balance sheet" in the third part of this Report.

Inasmuch as the development of the particular associated enterprises is concerned, it should be observed that a contract was signed between the Towarzystwo Eksploatacji Soli Potasowych and the Franco-German Potassium Convention. This contract permitted the sale abroad of large consignments of potassium fertilizers. This was all the more desirable as the difficult position of agriculture in Poland brought difficulties in the home sales of these fertilizers though prices had been considerably reduced. The Towarzystwo Starachowickich Zakładów Górniczych, Ltd., maintained production on very much the same level as in previous years and made a satisfactory balance sheet showing. The chemical industry, represented by "Boruta" was also operating under favourable conditions. On the other hand, the machine tool industry (Stowarzyszenie Mechaników Polskich z Ameryki), obtained less favourable results consequent on shrinking sales and low prices. Among the enterprises which were able to pay a moderate dividend, should be mentioned first of all those situated in the territory of the Free City of Danzig.

The associated enterprises have been making in the course of the year under review far-reaching savings and further rationalization in production. It should be added that none of these enterprises made any investments.

d. Credits for Local Government Authorities.

The aggregate cash credits granted by the National Economic Bank to Local Governments amounted at the close of 1932 to 118.5 million zlotys an increase of 5.6 million

zlotys, as compared with 1931. Of this amount, 6 million zlotys were short term credits, 63.2 million zlotys medium term and long term credits granted from the Bank's own funds and 49.3 million zlotys were credits from the section of Treasury funds administered by the Bank. These latter credits are mainly building loans, granted to Communes from the State Building Fund. The increase in the credits granted to Local Governments was chiefly due to the conversion of a loan, which had been extended to the City of Cracow as well as to a slight increase in the medium term communal cash loans.

As a result of the negotiations which had been opened between the National Economic Bank and numerous towns in 1931, two loans were consolidated: the above mentioned loan which had been granted to the City of Cracow and that for the City of Gdynia. This latter loan was converted into a loan in communal debentures.

If to the cash credits for Local Governments the loans in communal debentures, amounting together with the loans of the late Polish National Bank to 347.2 million zlotys (without the loans for the Treasury) and the credits for Communal Savings Banks, amounting to 20 million zlotys be added, the total indebtedness of the Local Governments towards the National Economic Bank amounted at the close of 1932 to 485.7 million zlotys.

e. Credits for Communal Savings Banks and Co-operative Societies.

During the year under review the National Economic Bank continued to expand its co-operation with the Communal Savings Banks. With a view to increasing the credit power of these institutions, and to counteract the excessive competitive tendency, the Bank endeavoured to amalgamate these institutions in the areas where the existence of two or more institutions of this kind was superfluous. In consequence of this and as a result of the reduction in the number of administrative districts, a certain number of Savings Banks were amalgamated in the territory of the Palatinates of Warsaw, Poznań, Pomorze and the Southern Palatinates. The increase in the activities of the consolidated banks created for them more advantageous possibilities for development.

Although the total of deposits in the Communal Savings Banks showed in 1932 an increase, there was, in the summer months, a temporary outflow of deposits. This was easily met by the banks concerned thanks to the assistance of the National Economic Bank. The granting of credits was in many cases dependent on whether the Communal Unions had paid in the shares declared in the capital and/or if they had repaid the credits contracted with these banks.

As a result of the difficult conditions under which the Communal Savings Banks and the Credit Co-operative Societies have been operating up to now, the Bank extended considerably the control over these institutions. The Bank undertook 96 inspections, namely: 45 in Communal Savings Banks and 51 in Co-operative Credit Societies.

When examining the state of business, the inspectors of the National Economic Bank subjected to a careful analysis the interest charges on loans, principally to see that they did not vary too much with the conditions laid down for banks.

The Bank liquidated its business relations with those institutions which did not show any accretion in the volume of business transacted and were of no great local importance. As a result, the number of banks and co-operative societies financed by the Bank decreased considerably.

In 1931, the Bank signed contracts with numerous Savings Banks in Upper Silesia and Little Poland, on the basis of which these institutions agreed to concentrate all their operations with the National Economic Bank. In turn, they benefited from special rediscount, investment and lombard loans at convenient interest rates. In view of the fact that the Bank of Poland reduced its rate of interest and the top limit of the interest allowed to charge on loans was fixed by the Law of the 7th November, 1932, regarding usury, the National Economic Bank also modified its conditions for credits granted to Communal Savings Banks and for moneys deposited by these institutions with the Bank.

The number of Communal Savings Banks, acting as correspondents of the National Economic Bank, rose from 265 in 1931 to 273 in 1932. They fulfilled their functions satisfactorily.

The credits granted to Communal Savings Banks were, on the whole, punctually repaid. They consisted mainly of rediscount credits. In addition, the Bank granted to these institutions special investment credits at a low rate of interest for assisting artisans. Finally, the Bank granted foundation loans to increase the working resources of newly created savings banks.

The state of credits granted and utilized at the close of 1932, as compared with 1931, with an analysis by types, is shown in the following table:

Type of credit	December 31st, 1931			December 31st, 1932		
	No. of banks	Credits in thous. of zlotys		No. of banks	Credits in thous. of zlotys	
		granted	utilized		granted	utilized
Foundation	92	1,167	1,167	71	686	686
Artizan	270	8,135	8,135	223	3,734	3,734
Rediscount	258	25,439	13,237	260	24,158	13,395
Other	6	3,934	3,702	6	2,255	2,245
Total	—	38,675	26,241	—	30,833	20,060

As will be seen from the above, the total of credits granted to Communal Savings Banks decreased by 6.2 million zlotys to 20.1 million zlotys. The decrease was mainly in artizan credits and to a smaller extent in "foundation" and "other" credits. The rediscount credits remained practically unchanged. The sharp drop in artizan credits should be explained by the fact that the quotas which had been utilized in previous years were regularly repaid. The amounts repaid will be used by the Bank for the granting of fresh credits. The low state of foundation credits granted to newly created banks was due to the fact that numerous Savings Banks, which utilized these credits, having passed through the primary stage of organization, were able to repay gradually the loans raised with the National Economic Bank.

In 1932, the National Economic Bank continued to finance the Credit and Consumers Co-operative Societies grouped in the following Audit Unions:

1. Związek Spółdzielni Polskich w Warszawie,
2. Związek Spółdzielni Zarobkowych i Gospodarczych w Poznaniu,
3. Związek Stowarzyszeń Zarobkowych i Gospodarczych we Lwowie,
4. Związek Żydowskich Towarzystw Spółdzielczych w Polsce w Warszawie,
5. Powszechny Związek na własnej pomocy opartych Spółdzielni we Lwowie, and
6. Związek Spółdzielni Spożyców R. P. w Warszawie.

The Co-operative Societies belonging to the last two Unions do not receive credits directly from the National Economic Bank, but through the intermediary of their Central Offices.

The state of the credits granted by the National Economic Bank and utilized by the Credit and Consumers Co-operative Societies is shown in the following table:

Type of credit	December 31st, 1931			December 31st, 1932		
	No. of co-oper. soc.	Credits in thous. of zlotys		No. of co-oper. soc.	Credits in thous. of zlotys	
		granted	utilized		granted	utilized
Bills rediscounted	320	16,388	10,690	253	13,830	9,005
Fixed loans	19	247	227	19	178	166
Current accounts	14	1,266	1,100	16	1,734	1,619
Total	—	17,901	12,017	—	15,742	10,790

The above credits decreased in 1932 by 1.2 million zlotys to 10.8 million zlotys. The decrease was entirely in rediscount credits, constituting the basic form of the credits granted by the National Economic Bank to Co-operative Societies. The credits on current accounts rose by half a million of zlotys. In addition, the credits from financially weak Co-operative Societies, which do not deserve credit facilities, were used for the financing of sound Co-operative Societies. As a net result, there was a considerable decrease in the number of Co-operative Societies financed by the Bank.

The total of credits granted by the Bank to Co-operative Societies, after elimination of Agricultural-Trading and Co-operative-Building Societies, which are separately treated, was at the end of the year 181.1 million zlotys.

f. Credits for Private Institutions.

Agriculture. — In the course of the year under review the National Economic Bank commenced to accumulate agricultural credits, chiefly sowing and harvesting, which had been granted in the years 1929—1931. The Bank prolonged the collective credits for another six months without any repayment and for a further six months against the repayment of 5 per cent to 15 per cent of the amount due. The balance of the credits, amounting to 2.6 million zlotys, was also prolonged for two periods of six months each; these credits had been granted in previous years to farmers affected by calamities. The interest on these loans has also been reduced. The fertilizer credits granted by the Bank through the Kooperacja Rolna were accumulated: they were subsequently prolonged, as were the loans which had been granted by the Bank directly. As was mentioned in the Report for 1931, the Kooperacja Rolna was obliged to ask for a receivership owing to the difficulties in which this institution found itself, as the result of the severe crisis. The request for receivership was granted in January, 1932, thanks to certain concessions made by the Treasury to the advantage of the remaining creditors. At the end of the year no agreement had been reached.

As in the previous years, the Bank arranged in July, 1932, credits against the lien of grain amounting to 6 million zlotys for the farmers of the Central and Wolhynian Palatinates. Of this 4.5 million zlotys had been taken up by the end of the year. This sum also contains a portion of credits against the lien of grain which had been converted in 1931.

The cash credits granted to agriculture by the National Economic Bank in 1932, as compared with 1931, are shown in the following statement (in thousands of zlotys):

	December 31, 1931	December 31, 1932
Agriculture and Breeding	61,467	53,345
Agricultural-trading Co-operative Societies	54,568	49,028
Agricultural Trade	7,377	7,430
Total	123,412	109,803

Of the total of 109.8 million zlotys, 32.2 million zlotys was in agricultural collective loans (mainly sowing and harvest), out of which the cumulative loans to farmers amounted to 20.3 million zlotys, those distributed through the Kooperacja Rolna to 4.8 million zlotys, calamity credits to 2.6 million zlotys and, finally, the registered credits against liens of grain to 4.5 million zlotys.

If bond loans on real estates, amounting together with the loans of the late Polish National Bank to 62.4 million zlotys and those for the foodstuff industry, which is closely connected with agriculture, amounting to 38.8 million zlotys, are added to the agricultural cash loans, the grand total of credits granted by the Bank to agriculture attained 211 million zlotys at the close of 1932.

Industry. — The indebtedness of industry towards the National Economic Bank in respect of cash loans amounted at the close of 1932 to 119.4 million zlotys, a decrease of 29.5 million zlotys in comparison with 1931. The decrease was mainly due to the repayment of credits granted by the Bank in 1931 for the financing of foreign orders placed with the Upper Silesian foundries. The total of credits granted to the smelting industry decreased by 22 million zlotys. In addition, there was a moderate decrease in the credits for the following sections of industry: chemical (by 1.1 million zlotys), timber (by 1.2 million zlotys) and foodstuffs (by 2.8 million zlotys). The indebtedness of the remaining sections showed only small changes. The mineral and ceramic group was the only one in which credits increased by 1.7 million zlotys.

Of the credits granted by the National Economic Bank to State Enterprises and to those associated with the Bank, about 80 million zlotys was for industrial enterprises. The majority of the loans in communal debentures totalling 153.3 million zlotys, granted to Local Government Enterprises, and almost all the loans in bank debentures, amounting at the end of 1932 to 24.3 million zlotys, were industrial credits. As a result, the total sum of the indebtedness of industry towards the National Economic Bank amounted at the close of 1932 to about 380 million zlotys.

The state of credits for trade decreased in 1932, as compared with 1931, by 1.8 million zlotys to 12.7 million zlotys. This amount was granted entirely to commercial firms unconnected with agriculture.

The loans granted to banks and other financial institutions rose by 18.6 million zlotys to 66.4 million zlotys. They figure entirely in the Section of Treasury funds administered by the Bank and were covered by corresponding deposits. The increase was due to the assistance granted by the Treasury through the intermediary of the National Economic Bank to several financial institutions,

The total of guarantees and acceptances in 1932, as compared with 1931, showed practically no change, the respective figures on the 31st December being 20.2 million zlotys and 20.7 million zlotys. This sum was almost entirely absorbed by State enterprises and businesses associated with the Bank (14.5 million zlotys) and by Local Government enterprises (3.2 million zlotys). Among the remaining groups, the largest item was for private industry (1.6 million zlotys). In comparison with 1931, there was a rather marked movement of these guarantees from the industrial group to that of the Local Governments, the guarantees for State enterprises and those associated with the Bank remaining on an unchanged level.

3. ADMINISTRATION AND ORGANIZATION.

Changes in the Administrative Council. During the year under review the following Gentlemen resigned from the Administrative Council of the Bank: professor Władysław Zawadzki, appointed Minister of Finance; Jerzy Drecki, engineer, late Director of the Labour Department of the Ministry of Labour and Social Welfare, and Józef Kożuchowski, late Vice-Minister of Industry nad Commerce, as these two gentlemen joined the Board of Directors of the National Economic Bank; and Kazimierz Górski, engineer, late Vice-Minister of Public Works. The following gentlemen were appointed in their place: Franciszek Doleżał, Vice-Minister of Industry and Commerce; Józef Gallot, engineer, Vice-Minister of Communications; Wincenty Jastrzębski, Vice-Minister of Finance and Dr. Eugenjusz Piestrzyński, Vice-Minister of Social Welfare.

Changes in the Managing Committee. In 1932, the Bank suffered a double loss by the untimely and regretted death of two of the managers: Feliks Merunowicz, D.C.C.L., assistant general manager and Adam Pachonński, D.C.C.L., vice-director, the head of the Branch at Poznań. The following directors retired on reaching the age limit: Adam Pawlikowski, D.C.C.L. and Mieczysław Szenk, D.C.C.L. On the 1st May, 1932, Feliks Maciszewski, D.C.C.L., the former vice-president of the Bank was nominated acting general manager of the Bank. In addition, the Bank appointed the following directors: Jerzy Drecki, engineer, to whom the position of assistant general manager was on the 1st January, 1933, entrusted and Mr. Józef Kożuchowski. The following vice-directors were nominated directors: Marjan Chechliński, D.C.C.L. and Zygmunt Wasserab, D.C.C.L. Finally, it should be mentioned that Mr. Włodzimierz Baczyński was still on leave without pay after being appointed director of the Department of Monetary Circulation in the Ministry of Finance. In addition, Feliks Maciszewski, D.C.C.L., acting general manager of the Bank, received on the 1st January, 1933, leave without pay, being appointed President of the Managing Committee of the United Establishments, Scheibler & Grohman, at Łódź.

Number of Officials. The staff of the Bank was increased during the year under review from, 1,249 at the close of 1931 to 1,276. The increase was entirely in employees of the lower grades, the number rising from 251 to 281, the result of the necessity of increasing the guard and service in the new Head Office building. The number of permanent employees of the Bank amounted on the 31st December, 1932 to 973, as compared with 975 in 1931. In addition to these employees, the Bank engaged 62 daily clerks, taken exclusively from among the unemployed; this was due to a temporary increase in certain sections in the work of the Bank.

Salaries. The salaries of the staff were again cut on the 1st October, 1932. This reduction together with the reductions in 1931 contributed to diminish considerably the personnel expenditure of the Bank, the total dropping by 1.5 million zlotys to 9.5 million zlotys per annum. Promotions continued to be stopped and only for service reasons were several persons advanced to higher salaried ranks. Overtime work was limited to exceptional cases. Instead of paying for overtime, the Bank employed clerical unemployed, during the time when the balance sheet was being prepared and in other exceptional cases.

Organization. The organization work of the Bank in the year under review continued to be directed towards the improvement of both the operating sections and the material economy. In this respect there has been recorded every year a further progress. It would take too much space to enumerate in these columns all the measures which have been taken for the further speeding up of work, etc.

The Inspectorate. The work of the Inspectorate was devoted to the control of the current credit operations. Special attention was given to the value of the securities for loans and, whenever it was necessary, additional security was demanded by the Bank. The progress of enforcement details was also thoroughly examined. Special attention was given to the efficiency of the technical organization of the Branch Offices. The number of Branch Offices of the Bank — nineteen — remained unaltered. Of these fourteen have their own Building Departments for the arrangement on the spot of problems connected with the granting of building loans. In addition, four Branches have special Sections for the elaboration of bond loans.

4. AUDIT COMMITTEE.

The Audit Committee, appointed by the Minister of Finance, devoted its attention to the operations of the Institution. In addition to the examination of the Balance Sheet and of the Profit and Loss Account for the year 1932, the Audit Committee investigated the work of the particular Departments of the Head Office and examined the activities of the Branch Offices, among other at Biala, Cracow, Lwów and Wilno.

III.

COMMENTS ON THE BALANCE SHEET FOR THE YEAR 1932.

The ledgers of the National Economic Bank were closed at the end of the year with a total of Zł 13,045,144,000, exclusive of collections and guarantees, or of Zł 13,398,592,000, inclusive of these accounts. The main items are shown hereafter:

	Debit	Credit
	(in thousands of zlotys)	
Cash on hand, and with Bank of Poland and Post Office Savings Bank . . .	3,485,293	3,484,243
Foreign Currencies	104,691	107,789
Bills Discounted	568,610	600,810
Fixed Loans	26,254	32,143
Debtors on Current Accounts	359,584	360,271
Banks "Loro" and "Nostro" (home and foreign)	1,148,694	1,135,684
Cheque Accounts	1,598,801	1,616,727
Foreign Currency Accounts	79,977	78,981
Savings Deposits	62,419	69,024
Current Accounts of Communal Savings Banks	149,035	149,418
Fixed Deposits	148,990	148,162
Bills Rediscounted	416,737	397,140

The Balance Sheet of the National Economic Bank for the year 1932 was closed with a total of Zł 2,160,495,781.91 (inclusive of collections and guarantees). The development for the years 1924—1932 is shown below:

Y e a r	Total of Balance Sheet (in zlotys)	Per cent of increase 1924=100
1924	283,359,067.74	100
1925	773,942,219.60	273
1926	920,159,796.19	325
1927	1,425,215,415.23	503
1928	1,715,360,386.48	605
1929	1,830,839,331.48	646
1930	2,151,261,194.73	759
1931	2,183,365,642.07	771
1932	2,160,495,781.91	763

GENERAL BANKING SECTION.

LIABILITIES.

Items 1—3. Capital and Reserves.

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zł
a) Capital	Zł 150,000,000.	Zł 150,000,000.	—
b) Reserve Fund	„ 15,392,103.68	„ 16,790,283.46	+1,398
c) Valorised Fund for mortgage loans of the late State Bank for Reconstruction and the late Credit Institution of Galician Towns	„ 2,268,347.65	„ 2,201,989.70	— 66
d) Valorised Fund for Savings Deposits	„ 178,020.97	„ 158,032.87	— 20
e) General Reserve	„ 28,793,443.05	„ 28,793,443.05	—
Total	<u>Zł 196,631,915.35</u>	<u>Zł 197,943,749.08</u>	<u>+1,312</u>

The Capital and the General Reserve of the Bank remained unaltered. The Reserve Fund increased by Zł 1,398,000 as a result of the transfer of 20 per cent of the net profit for the year 1931, in accordance with Art. 13 of the Order of the President of the Republic of Poland of the 3rd December, 1930 regarding the National Economic Bank (Journal of Laws of the Republic of Poland No. 86, Item 666). The remaining two Reserves decreased slightly due to the fact that some mortgage loans, after being revalorised, were written off because they were so small that it was not worth while suing the debtors in case of default.

The above mentioned Reserves do not include the considerable Reserve for securities issued by the Bank. This will be found under Item 17 on the Liabilities side.

Items 4—6. Demand Deposits, Fixed Deposits and Sundry Credit Balances.

	December 31, 1931.	In%	December 31, 1932.	In%	Changes in thous. of Zł
Grand total	Zł 238,698,278.07	100.0	Zł 261,108,530.17	100.0	+22,410
Cheque Accounts	Zł 78,870,437.59	33.0	Zł 96,795,931.51	37.1	+17,925
Foreign Currency Accounts	„ 6,169,478.	2.6	„ 5,173,420.64	2.0	— 996
Savings Deposits	„ 46,424,779.15	19.5	„ 53,030,576.80	20.3	+6,606
Current Accounts of Communal Savings Banks	„ 3,354,990.18	1.4	„ 3,737,005.26	1.4	+ 382
Total Demand Deposits	<u>Zł 134,819,684.92</u>	<u>56.5</u>	<u>Zł 158,736,934.21</u>	<u>60.8</u>	<u>+23,917</u>
Fixed Deposits in Pol. cur.	Zł 67,979,897.64	28.5	Zł 62,068,075.07	23.8	— 5,912
Fixed Deposits in for. cur.	„ 30,001,240.43	12.5	„ 35,085,338.48	13.4	+ 5,084
Total Fixed Deposits	<u>Zł 97,981,138.07</u>	<u>41.0</u>	<u>Zł 97,153,413.55</u>	<u>37.2</u>	<u>— 828</u>
Total Sundry Credit Balances	<u>Zł 5,897,455.08</u>	<u>2.5</u>	<u>Zł 5,218,182.41</u>	<u>2.0</u>	<u>— 679</u>

Details regarding the changes in the state of Deposits entrusted to the Bank in 1932 are given in the second part of the Report.

The following statement illustrates the distribution of Fixed Deposits in terms of withdrawal, as on December 31st, 1932:

	Total in thous. of Zł	In %
1 month	21,079	21.7
2 months	10,496	10.8
3 „	22,660	23.3
4, 5, 6 months	34,568	35.6
over 6 „	8,350	8.6
Total	97,153	100.0

Item 7. Bills Rediscounted.

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zł
Total	Zł 98,690,661.36	Zł 79,094,249.13	—19,596
a) in Polish currency	Zł 81,410,057.47	Zł 61,573,633.29	—19,837
b) „ foreign „	„ 17,280,603.89	„ 17,520,615.84	+ 241

The maturities of the Bills Rediscounted are given hereafter:

	Total in thous. of Zł	In %
1 month	21,664	27.4
2 months	23,655	29.9
3 months	22,295	28.2
4,5,6 months	11,480	14.5
Total	79,094	100.0

The ratio in percentage of the Bills Rediscounted to the total of Bills in Portfolio, as per December 31st, 1932 was 57.2 per cent, as compared with 55.6 per cent at the close of 1931.

Items 8 and 9. Banks "Loro" and "Nostro".

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zł
Total	Zł 57,413,809.09	Zł 40,679,596.02	—16,734
a) Polish Banks	Zł 34,117,920.81	„ 33,308,005.84	— 809
b) Foreign Banks	„ 23,295,888.28	„ 7,371,590.18	—15,925

The total Balance of the Bank Accounts, as per December 31st, 1932, amounting to Zł 40,680,000, was divided as follows:

Demand Accounts	Zł 26,082,000	or 63.4%
Fixed Accounts	„ 14,608,000	or 36.6%

The Bank Fixed Accounts were payable within:

1 month	Zł 14,107,000	or 96.6%
2 months	„ 501,000	or 3.4%
Total	Zł 14,608,000	or 100.0%

Item 10. The total of **Drafts drawn on the Bank**, which had not been presented for payment on December 31st, 1932, was Zł 344,708.

Item 11. The **Mortgagees'** account was closed on the 31st December, 1932, with a total of Zł 32,586.42 representing debts on immovables owned by the National Economic Bank. This account dropped during the year under review by Zł 51,000.

Item 12. Suspense Accounts increased in 1932, as compared with 1931, by Zł 665,000 to Zł 32,042,567.71. This amount comprises the ordinary Transitory Items and the Inter-periodic Settlements.

Item 13. Interest charged for 1933 amounted on December 31, 1932 to Zł 1,372,283.95.

Items 14 and 15. Balances of the Bond Issue Section and of the Section of Treasury funds administered by the Bank correspond with the Items 24 and 27 of the "Assets". They are purely accountancy items between the particular Sections of the Balance Sheet of the Bank.

Item 16. Net Profit for the year 1932 was Zł 2,846,111.73, or Zł 4,145,000 less than in 1931.

The distribution of the Net Profit, in accordance with Art. 13 of the Decree of the President of the Republic of Poland of the 3rd December, 1930, regarding the National Economic Bank (Journal of Laws No. 86, Item 666), is given hereafter:

1. 35 % to the increase of the Special Reserve Fund for securities issued by the Bank	Zł 999,139.11
2. 20 % to the Reserve Fund	„ 569,222.34
3. 10 % for various purposes provided by the Statutes	„ 284,611.17
4. 35 %, i. e. the balance of the Net Profit was placed at the disposal of the Government, as participation of the Treasury in the profits of the Bank	„ 996,139.11
Total	Zł 2,846,111.73

A S S E T S.

Items 1 and 2. Cash on hand and with the Bank of Poland and the Post Office Savings Bank inclusive of foreign currencies, amounted on the 31st December, 1932, to Zł 50,995,377.23, as compared with Zł 53,045,182.10 at the close of 1931, a decrease of Zł 2,050,000. The ratio of these Items to the total of Deposits was 19.5 per cent, and 31.1 per cent to the total of the Demand Deposits and the Sundry Credit Balances.

Item 3. The Securities decreased in the course of 1932 by Zł 8,617,000 to Zł 29,247,490.77. The portfolio of Securities is composed of:

	Nominal value	Balance sheet value
10% Railway Loan	Frs. 5,002,745	Zł 8,596,976.36
5% „ „	Zł 2,982,026.50	„ 1,046,896.79
5% Conversion „	„ 253,068	„ 102,441.93
Various		„ 33,465.74

Other securities:

Mortgage bonds:

7% State Land Bank	„ 14,650,600	„ 11,720,480.—
8% Warsaw Land Credit Soc.	\$ 533,000	„ 2,118,062.05

Carried forward Zł 23,618,322.87

Brought forward		Zl 23,618,322.87
8% Lwów Land Credit Soc. . . \$	277,825	„ 1,984,781.80
7% Warsaw „ „ „ . . „	322,750	„ 1,197,248.23
8% Wilno Land Bank „	358,900	„ 1,678,375.64
8% Warsaw Land Credit Soc. . Zl	1,287,000	„ 450,450.—
4% Internal Loan of 1908 . . K	7,492,900	„ 299,716.—
Various		„ 18,596.23
Total		Zl 29,247,490.77

Item 4. The holdings of securities issued by the National Economic Bank increased, as compared with the end of 1931, by Zl 10,572,000 to Zl 51,673,358.16.

Item 5. Participations and shares held by the Bank increased in the course of 1932 by Zl 1,497,000 to Zl 32,816,872.28. This increase was entirely in Bank of Poland shares. The holdings of participations and shares comprise the following items:

Potassium Salts Exploitation Company	Zl 18,229,106.66
British and Polish Trade Bank	„ 7,066,865.—
Bank of Danzig (Central Bank)	„ 4,396,543.84
Danzig Tobacco Monopoly	„ 1,425,338.98
Bank of Poland	„ 1,698,938.80
Other securities	„ 79.—
Total	Zl 32,816,872.28

The Item "Other Securities" consists partly of participations and shares in several enterprises associated with the Bank — Starachowickie Zakłady Górniczo-Hutnicze, Stowarzyszenie Mechaników Polskich z Ameryki, etc.—and of the balance of various shares previously purchased in other concerns. These securities are entered at a value of one zloty for each type of security.

Items 7—10. Short Term Credits showed the following changes in the course of 1932:

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zl
a) Bills discounted	Zl 163,405,023.25	Zl 131,204,895.37	—32,200
b) Bills protested	„ 5,859,439.61	„ 4,340,717.84	— 1,519
c) Fixed loans and deposits in Communal Savings Banks . . „	30,328,638.44	„ 24,442,479.63	— 5,886
d) Debtors on Current Accounts „	125,582,738.70	„ 125,472,359.72	— 110
Total	Zl 325,175,840.—	Zl 285,460,452.56	—39,715

Details regarding the changes which took place in 1932 in the Short Term Credit Accounts will be found in the second part of the Report.

The liquidity of the portfolio of bills of exchange on December 31st, 1932, was as follows:

Maturity	Number	In%	Totals in thous. of Zl	In %
1 month . . .	35,853	38.2	31,396	23.9
2 months . .	29,653	31.5	31,927	24.4
3 „ . .	20,150	21.4	44,527	33.9
4,5 and 6 months	8,407	8.9	23,354	17.8
over 6 months .	2	—	1	—
Total	94,065	100.0	131,205	100.0

In the course of the year under review 501,657 bills for Zł 516,627,000 were discounted. The following statement shows their distribution by amounts:

Amount less than form	Zł	101 up to „	Zł	100	Number	In %
				200	75,202	15.0
		201 „ „ „		500	99,610	19.9
		501 „ „ „		1,000	139,248	27.8
		1,001 „ „ „		2,000	109,690	21.9
		2,001 „ „ „		5,000	36,203	7.2
		5,001 „ „ „		10,000	26,334	5.2
					12,286	2.4
over				10,000	3,084	0.6
Total					501,657	100.0

The average value of bills was slightly in excess of Zł 1,000. If, however, bills above Zł 1,000, which represent hardly 15.4 per cent of the bill holdings of the Bank, are eliminated, this average will be much smaller.

The ratio of protested bills to those presented for payment in December, 1932, was 3.21 per cent, as compared with 7.7 per cent in 1931.

The liquidity of the Fixed Loans on December 31st, 1932, is shown in the following table:

	Total in thous. of zlotys	In %
1 month	10,145	41.6
2 months	4,017	16.4
3 „	2,783	11.4
4, 5, 6 months	3,014	12.3
over 6 months	4,483	18.3
Total	24,442	100.0

Items 11 and 12. Banks "Loro" and "Nostro".

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zł
a) Polish Zł	1,946,237.67	Zł 509,510.34	—1,437
b) Foreign „	9,945,860.53	„ 7,657,347.69	—2,289
Total Zł	11,892,098.20	Zł 8,166,858.03	—3,726

Item 13. Communal Loans rose by Zł 6,459,000 to Zł 62,616,284.53. This item consists mainly of medium term loans for Local Governments. A part of these loans may be afterwards converted into bond loans. A portion of these had already been changed in 1932 temporarily into long term cash loans, constituting therefore a basis for the eventual issue of securities.

Item 14. Building Loans from the Bank's own funds decreased by Zł 3,366,000 to Zł 16,381,592.61. They benefit, as the loans granted from the State Building Fund, from easings accorded by the State Building Fund for the Expansion of Towns. They are also destined for conversion into bond loans. Temporarily, however, owing to the exceptional sit-

uation prevailing on the security market, they will be changed into long term sinking fund cash loans.

Item 15. Long Term Loans.

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zl
a) Loans to cover arrears of interest on building loans	Zl 1,052,867.05	Zl 988,233.33	— 65
b) Revalorized loans of amalgamated Institutions	„ 4,744,479.69	„ 4,381,556.73	— 363
c) Other credits	„ 34,430,394.53	„ 34,698,105.41	+ 268
Total	Zl 40,227,741.27	Zl 40,067,895.47	— 160

The credits figuring under a) are, as indicated by their name, capitalized arrears of interest on building loans. The revalorized loans of the late amalgamated Institutions were taken over from the late State Bank for Reconstruction and the late Credit Society of Galician Towns, and are being gradually liquidated. Among "Other credits", the most important item is the loan granted to the "Ursus" motor car factory and the credit granted to the State Engineering Establishments.

Items 16 and 17. Immovable and movable property showed no important changes. Their total decreased by Zl 395,000 to Zl 35,141,841.60 mainly owing to the fact that the sums redeemed were written off. The increase in the item "Movable Property" was due to the transfer of certain amounts from the Account of Immovable Property owing to the final account of the cost of construction of the building of the Head Office at Warsaw.

Item 18. Suspense accounts increased by Zl 2,668,000 to Zl 14,425,827.78. They embrace—as Item 12 of the Liabilities — the ordinary transit items and the inter-periodic settlements.

BOND ISSUE SECTION.

LIABILITIES.

Item 17. The special reserve for bonds issued by the Bank increased in the course of 1932 by Zl 3,263,906.29. This was due to:

- a) the division of the net profit for 1931 (35 per cent in accordance with art. 13 of the Decree of the President of the Republic of Poland, dated the 3rd December, 1930 regarding the National Economic Bank, Journal of Laws of the Republic of Poland No. 86, Item 666) Zl 2,446,814.61
- b) inscription fees, according to § 17 of the Statutes of the Bank, and of the profit of the Bank from the purchase of mortgage bonds and debentures destined for redemption as well as of the earnings on obliterated coupons and drawn mortgage bonds and debentures. 817,091.68

The distribution of the above reserve by type of bonds, as at the ends of 1931 and 1932, is given in the following table:

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zł
a) Reserve for mortgage bonds	Zł 3,795,252.26	Zł 5,157,983.51	+ 1,363
b) „ „ communal debentures	„ 12,153,389.20	„ 13,724,779.01	+ 1,571
c) „ „ railway „	„ 985,013.92	„ 1,069,867.90	+ 112
d) „ „ building „	„ 121,861.35	„ 219,522.64	+ 98
e) „ „ bank „	„ 758,831.31	„ 879,101.27	+ 120
Total	Zł 17,787,348.04	Zł 21,051,254.33	+ 3,264

Item 18. Mortgage bonds and debentures issued by the late Polish National Bank dropped during 1932 by Zł 814,000 to Zł 29,185,010.81. The following changes were recorded in these issues:

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zł
a) Mortgage bonds	Zł 8,548,499.12	Zł 7,921,019.86	— 627
b) Communal debentures	„ 10,447,032.25	„ 10,318,146.95	— 129
c) Railway „	„ 11,003,876.—	„ 10,945,844.—	— 58
Total	Zł 29,999,407.37	Zł 29,185,010.81	— 814

The above securities are pre-war issues of the late Polish National Bank, one of the amalgamated Institutions. These issues had been revalorized and taken over by the National Economic Bank. They are gradually being liquidated.

Item 19. Mortgage bonds and debentures issued by the National Economic Bank increased in 1932 by Zł 46,449,000. Important changes were only recorded in the issues of mortgage bonds and building debentures, which showed a significant increase mainly owing to the conversion of cash building loans. The changes are given in the following table:

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zł
a) Mortgage bonds	Zł 246,538,916.—	Zł 284,003,188.—	+ 37,464
b) Communal debentures	„ 468,401,229.37	„ 468,440,306.30	+ 39
c) Building „	„ 22,096,000.—	„ 31,908,300.—	+ 9,812
d) Bank „	„ 25,161,642.—	„ 24,295,376.—	— 866
Total	Zł 762,197,787.37	Zł 808,647,170.30	+ 46,449

The distribution of mortgage bonds, by types of loans for which they were issued, is given below:

Type of loans	December 31, 1931.	December 31, 1932.
	(In thousands of zlotys)	
a) On real estate	58,078	58,602
b) On urban properties	46,687	45,680
c) For the conversion of cash building loans	141,775	179,721
Total	246,540	284,003

Item 20. The drawn mortgage bonds and debentures in circulation account discloses that bonds drawn for redemption, which have not been presented for payment till December 31st, 1932, amounted to Zł 702,009.59. This amount is made up as follows:

a) Mortgage bonds	Zl 521,331.50
b) Communal debentures	„ 123,594.09
c) Bank „	„ 12,000.—
d) Railway „	„ 45,084.—
Total	<u>Zl 702,009.59</u>

Item 21. Unpaid coupons account on the 31st December, 1932, totalled Zl 2,526,096.49. This sum was composed of over-due coupons not presented to the Bank for payment, viz.: coupons from:

a) Mortgage bonds	Zl 2,190,651.49
b) Communal debentures	„ 172,572.50
c) Railway „	„ 81,952.—
d) Building „	„ 80,340.—
e) Bank „	„ 580.50
Total	<u>Zl 2,526,096.49</u>

Item 22. The balance of the mortgage bonds and debentures redemption fund was Zl 114,013.74. To this account the Bank transfers the capital portion of the instalment payments on bonds. They increase the sum destined for the redemption of the Bank's own securities. The distribution of the redemption fund by types is as follows:

a) Mortgage bonds	Zl 51,970.96
b) Communal debentures	„ 54,985.01
c) Railway „	„ 6,861.89
d) Building „	„ 119.94
e) Bank „	„ 75.94
Total	<u>Zl 114,013.74</u>

Item 23. The coupon redemption fund amounted on December 31st, 1932, to Zl 795,229.64. To this account the Bank credits the interest portion of the instalment payments on bond loans. In view of the fact that the debtors are bound to pay the interest in advance, these sums remain on this account until the payment of the first sinking fund instalment falls due. The distribution of the coupon redemption fund by types of securities is as follows:

a) Mortgage bonds	Zl 266,751.37
b) Communal debentures	„ 324,223.83
c) Railway „	„ —
d) Building „	„ 103,655.78
e) Bank „	„ 100,598.66
Total	<u>Zl 795,229.64</u>

Item 24. The account of instalment payments in anticipation showed on December 31st, 1932, a total of Zl 578,635.32. This account is composed of instalments paid before their

maturity and of repayments in excess of the redemption plan. Their distribution by types of issues is given below:

a) Mortgage bonds	Zl 571,098.36
b) Communal debentures	„ 176.70
c) Building „	„ 7,360.26
Total	<u>Zl 578,635.32</u>

Item 25. Sundry issue accounts amounted on the 31st December, 1932 to Zl 23,732,107.75, as compared with Zl 3,518,664.90 on the same date in 1931. Of this sum Zl 17,214,578.40 were payments on current instalments on bond loans and the balance were transit items and interperiodic settlement accounts of the Bond Issue Section.

A S S E T S.

Items 19 and 20. Bond loans of the late Polish National Bank and of the National Economic Bank. See Items 18 and 19 of the Liabilities.

Item 21. Instalments on bond loans rose in the course of 1932 by Zl. 8,579,000 to Zl 30,483,673.06. This amount is composed entirely of instalments in arrears, the current instalments being entered in the books of the Bank six months after their falling due from the 1st January, 1932, i. e. when the next instalment falls due. As a result, the coupon redemption fund and the fund for the payment of coupons have become purely transit accounts in which certain unsettled balances figure. Therefore, the amount dropped, as compared with 1931. The sums collected from the current instalments on bond loans are entered into the books of the Bank on a special account figuring in various bond accounts on the Liabilities side. This explains the marked increase in 1932. The distribution of this sum by types of bond loans is given below (in thousands of zlotys):

8%	Mortgage bonds	8,299
7%	„ „	7,871
8%	Communal debentures	2,333
7%	„ „ in \$, 3rd Series	2,220
7%	„ „	5,952
7½%	Bank „	2,290
8%	Building „	855
<u>Total of instalments on N. E. B. issues</u>		<u>29,820</u>
<u>Total of instalments on issues of the late Polish National Bank</u>		<u>663</u>
Grand total		30,483

A detailed statement regarding the payment of instalments on bond loans and the collection of payments in arrears is given in the second part of the Report.

Item 23. Sundry bond accounts comprise transit items and interperiodic settlement accounts of the Bond Issue Section. They amounted on the 31st December, 1932, to Zl 7,365,676.20, as compared with Zl 4,255,778.44 on the same date in 1931.

Item 24. Balance with General Banking Section. See Item 14 of the Liabilities.

TREASURY FUNDS ADMINISTERED BY THE BANK.

LIABILITIES.

Item 26. The Treasury funds dropped in the course of 1932 by Zl 23,041,000 to Zl. 483,642,195.44. They are composed of the following funds, viz:

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zl
a) Building fund	Zl 322,787,754.80	Zl 287,431,040.93	— 35,356
b) Relief fund for banks	„ 32,899,877.36	„ 32,676,679.23	— 223
c) „ „ ex re "Kooprolna"	„ 36,327,102.33	„ 36,327,102.33	—
d) Special reserve for operations guaranteed	„ 4,654,450.80	„ 4,770,689.64	+ 116
e) Other deposits	„ 110,014,222.65	„ 122,436,683.31	+ 12,422
Total	Zl 506,683,407.94	Zl 483,642,195.44	— 23,041

Details regarding changes in the above accounts are given in the second part of the Report.

Item 27. Special accounts. These accounts correspond with Item 26 of the Assets. They dropped in the course of 1932 by Zl 7,617,000 to Zl 134.766,000.

A S S E T S.

Item 25. Credits granted from the Treasury funds underwent the following changes in the course of 1932:

	December 31, 1931.	December 31, 1932.	Changes in thous. of Zl
a) Credits from the State Building Fund	Zl 295,962,445.87	Zl 275,047,409.22	— 20,915
b) Relief credits for banks	„ 35,289,619.36	„ 35,892,526.08	+ 603
c) Credits: 1. to "Kooprolna"	„ 36,212,225.96	„ 36,202,997.54	— 9
2. to others	„ 11,412,376.68	„ 11,456,263.70	+ 44
d) Other credits	„ 119,786,336.55	„ 122,783,572.79	+ 2,997
Total	Zl 498,663,004.42	Zl 481,382,769.33	— 17,280

A detailed statement of the changes which took place in the above accounts is given in the second part of the Report.

Item 26. Special accounts amounted on the 31st December, 1932, to Zl 136,944,370.94, a decrease of Zl 6,657,000, as compared with 1931. This item includes the transactions of the State Building Fund, the financing of exports of the iron foundries, special assistance for the textile industry and financial institutions as well as Treasury guarantees to the Bank. It corresponds with Item 27 of the Liabilities.

Item 27. Balance with General Banking Section. See Item 15 of the Liabilities.

ITEMS NOT INCLUDED IN BALANCE SHEET.

The "collections" account on the "Liabilities" side and on the "Assets" side, respectively, showed the following balances at the close of 1932, as compared with 1931:

December 31, 1931.	December 31, 1932.
Zl 8,441,074.03	Zl 7,405,602.15

"Guarantees on account of Customers" on the "Liabilities" side and the "Liability of Customers for guarantees" on the "Assets" side, respectively, were as follows:

December 31, 1931.	December 31, 1932.
Zl 18,141,840.44	Zl 14,379,470.17
of which guaranteed by the Treasury ,, 10,445,570.—	,, 7,748,100.—

"Acceptances on account of Customers" on the "Liabilities" side and the "Liability of Customers for acceptances" on the "Assets" side, respectively, were as follows:

December 31, 1931.	December 31, 1932.
Zl 2,606,728.06	Zl 5,837,129.58

SECURITIES DEPOSITED WITH THE BANK.

	Nominal value in various currencies		Nominal value in various currencies
Securities held in the vaults		Securities held on behalf	
of the Bank	Zl 1,137,685,301.88	of Customers	Zl 1,586,326,525.90
Securities deposited else-		Bank's own securities	,, 514,607,857.57
where	,, 963,249,081.59		
Total	<u>Zl 2,100,934,383.47</u>	Total	<u>Zl 2,100,934,383.47</u>

BANK GOSPODAR

THE NATIONAL

BALANCE

ASSETS.

on the 31st

		zlotys	gr.
GENERAL BANKING SECTION			
1.	Cash on hand and with Bank of Poland and Postal Savings Bank	47,243,450	76
2.	Foreign currencies	3,751,926	47
3.	Fixed interest bearing securities	29,247,490	77
4.	Securities issued by the N. E. B.	51,673,358	16
5.	Shares and participations	32,816,872	28
6.	Bonds and coupons due for payment	140,108	24
7.	Bills discounted	131,204,895	37
8.	Protested bills	4,340,717	84
9.	Fixed loans against:		
	a) Securities 1,150,405.86		
	b) Gold and silver 4,950.00		
	c) Bills of exchange 12,276,986.42		
	d) Goods 6,296,405.58		
	e) Railway documents 16,976.00		
	f) Warehouse warrants 17,500.00		
	g) Deposits in Communal Savings Banks 4,679,255.77	24,442,479	63
10.	Debtors on current accounts:	125,472,359	72
11.	Banks "Loro":		
	a) Polish 326,804.39		
	b) Foreign 479,325.60	806,129	99
12.	Banks "Nostro":		
	a) Polish 182,705.95		
	b) Foreign 7,178,022.09	7,360,728	04
13.	Communal loans	62,616,284	53
14.	Building loans from own funds	16,381,592	61
15.	Long term cash loans:		
	a) For arrears of interest on building loans 988,233.33		
	b) Revalorised loans of the amalgamated Institutions 4,381,556.73		
	c) Sundry 34,698,105.41	40,067,895	47
16.	Real property	33,625,585	89
17.	Furniture, (fittings) etc.	1,516,255	71
18.	Suspense accounts	14,425,827	78
Carried forward		627,133,959	26

STWA KRAJOWEGO

ECONOMIC BANK

SHEET

December, 1932

LIABILITIES.

GENERAL BANKING SECTION

		zlotys	gr.
1.	Capital	150,000,000	00
2.	Reserve fund	16,790,283	46
3.	Other reserves:		
	a) For valorisation of mortgage loans 2,201,989.70		
	b) „ „ „ savings deposits 158,032.87		
	c) General reserve 28,793,443.05	31,153,465	62
4.	Call deposits:		
	a) Cheque accounts 96,795,931.51		
	b) Foreign currency accounts 5,173,420.64		
	c) Savings deposits 53,030,576.80		
	d) Current accounts of Communal Savings Banks 3,737,005.26	158,736,934	21
5.	Fixed deposits	97,153,413	55
6.	Sundry credit balances	5,218,182	41
7.	Bills rediscounted	79,094,249	13
8.	Banks "Loro":		
	a) Polish 19,200,679.84		
	b) Foreign 5,596,531.69	24,797,211	53
9.	Banks "Nostro":		
	a) Polish 14,107,326.00		
	b) Foreign 1,775,058.49	15,882,384	49
10.	Drafts	344,708	00
11.	Mortgagees	32,586	42
12.	Suspense accounts	32,042,567	71
13.	Interest for 1932	1,372,283	95
14.	Balance of Bond Issue Section	11,588,624	54
15.	Balance fo Section of Treasury funds administered by the Bank	80,952	51
16.	Net profit	2,846,111	73
	Carried forward	627,133,959	26

		zlotys	gr.
Brought forward		627,133,959	26
BOND ISSUE SECTION			
19.	Bond loans of the late Polish National Bank:		
a)	Mortgage bonds	7,921,019.86	
b)	Communal debentures	10,318,146.95	
c)	Railway „	10,945,844.00	29,185,010 81
20.	Bond loans of the N. E. B.		
a)	Mortgage bonds	284,003,188.00	
b)	Communal debentures	468,440,306.30	
c)	Building „	31,908,300.00	
d)	Bank „	24,295,376.00	808,647,170 30
21.	Instalments on bond loans:	30,483,673	06
22.	Coupons of drawn mortgage bonds and debentures . .	61,373	06
23.	Sundry bond accounts	7,365,676	20
24.	Balance with General Banking Section	11,588,624	54
		887,331,527	97
SECTION OF TREASURY FUNDS ADMINIS- TERED BY THE BANK			
25.	Loans granted from Treasury funds:		
a)	Building loans from the State Building Fund . .	275,047,409	22
b)	Relief credits for banks	35,892,526	08
c)	Loans:		
1)	to "Kooprolna"	36,202,997.54	
2)	to others	11,456,263.70	47,659,261 24
d)	Other loans	122,783,572	79
26.	Special accounts	136,944,370	94
27.	Balance with General Banking Section	80,952	51
		618,408,092	78
Total balance sheet		2,132,873,580	01
Collections, as per contra		7,405,602	15
Liability of Customers for guarantees, as per contra. 14,379,470.17			
Liability of Customers for acceptances, as per contra 5,837,129.58		20,216,599	75
Total		2,160,495,781	91

		zlotys	gr
	Brought forward	627,133,959	26
BOND ISSUE SECTION			
17.	Special reserve for securities issued by the N. E. B.:		
	a) Mortgage bonds	5,157,983.51	
	b) Communal debentures	13,724,779.01	
	c) Railway „	1,069,867.90	
	d) Building „	219,522.64	
	e) Bank „	879,101.27	21,051,254 33
18.	Securities issued by the late Polish National Bank in circulation:		
	a) Mortgage bonds	7,921,019.86	
	b) Communal debentures	10,318,146.95	
	c) Railway „	10,945,844.00	29,185,010 81
19.	Securities issued by the N. E. B. in circulation:		
	a) Mortgage bonds	284,003,188.00	
	b) Communal debentures	468,440,306.30	
	c) Building „	31,908,300.00	
	d) Bank „	24,295,376.00	808,647,170 30
20.	Drawn mortgage bonds and debentures in circulation:	702,009	59
21.	Unpaid coupons	2,526,096	49
22.	Mortgage bond and debenture redemption fund	114,013	74
23.	Coupon redemption fund	795,229	64
24.	Instalments paid in advance	578,635	32
25.	Sundry accounts	23,732,107	75
		887,331,527	97
SECTION OF TREASURY FUNDS ADMINIS- TERED BY THE BANK			
26.	Treasury Funds:		
	a) Building funds	287,431,040	93
	b) Relief funds for banks	32,676,679	23
	c) Funds ex re "Kooprolna"	36,327,102	33
	d) Special reserve for operations guaranteed	4,770,689	64
	e) Other credits	122,436,683	31
27.	Special accounts	134,765,897	34
		618,408,092	78
	Total of balance sheet	2,132,873,580	01
	Collections, as per contra	7,405,602	15
	Guarantees on account of Customers, as per contra	14,379,470.17	
	Acceptances „ „ „ „ „ „ „	5,837,129.58	20,216,599 75
	Total	2,160,495,781	91

BANK GOSPODAR

THE NATIONAL
P R O F I T A N D
EXPENDITURE. for the year ended

		z l o t y s	g r
Interest paid:			
a) Current accounts	19,272,495.54		
b) Re-discounted bills	11,044,646.51		
c) Savings deposits	3,179,467.27		
d) Other accounts	68,284.36	33,564,893	68
Exchange differences on securities		2,837,308	57
Expenses:			
a) Operating expenses	670,391.98		
b) Office „	1,166,889.84		
c) Sundry „	910,865.82		
d) Motor upkeep	127,666.23		
e) Salaries and wages	9,520,999.87		
f) Pensions	943,912.71	13,340,726	45
Amortisation:			
a) Real property	623,042.13		
b) Furniture (fittings) etc.	388,173.18	1,011,215	31
Written off		9,927,376	61
Net profit		2,846,111	73
Total		63,527,632	35

STWA KRAJOWEGO

ECONOMIC BANK

LOSS ACCOUNT

31st December, 1932

INCOME.

		zlotys	gr
Interest received:			
a) Bills discounted	17,556,580.21		
b) Current accounts	14,747,094.47		
c) Fixed loans	2,067,032.02		
d) Long term and communal loans	9,779,175.31		
e) Building loans	762,300.28		
f) Securities	7,786,197.08		
g) Compound interest on arrears of bond loans	1,003,326.61		
h) Other accounts	62,578.47	53,764,284	45
Commission:			
a) Collections	459,371.62		
b) Drafts	165,496.96		
c) Current accounts	386,072.04		
d) Exchange transactions	87,695.87		
e) Deposits	144,681.84		
f) Guarantees	252,019.30		
g) Building loans	1,739,639.81		
h) Other accounts	423,181.53	3,658,158	97
Exchange differences on drafts and foreign currencies.		2,744,022	46
Administrative charges payable to Issue Department . .		2,427,642	79
Administration of real property		609,654	82
Refund of sums previously written off		323,868	86
Total		63,527,632	35

AUDITORS' CERTIFICATE.

The Audit Committee has examined the Balance Sheet of the National Economic Bank for the year ended 31st December, 1932, as well as the Profit and Loss Account for the year ended on that date, and states:

1) That the items comprised in the balance sheet, closed on each side with a total of zlotys 2,160,495,781.91 (inclusive of collections, guarantees and acceptances) have been accurately entered, and are in accordance with the books of the Head Office, and the statements submitted by the Branches.

2) That the books and vouchers of the Head Office are correct and have been properly kept.

In view of the above, the Audit Committee proposes that the Balance Sheet of the National Economic Bank as on December 31st 1932, and the Profit and Loss Account for the year ended on that date, be adopted.

Warsaw, 1st March, 1933

Chairman:

W. Marynowski, D. C. C. L.

Auditors:

T. Pieńkowski

Mohl

A. Repeczko

Drabarek

A. Alland

L. Zadrowski

Balance sheet of the Staff Pension Fund

of the National Economic Bank

as on 31st December, 1932

A S S E T S	Zlotys	gr.	L I A B I L I T I E S	Zlotys	gr.
Current accounts with the Bank	1,0153,18	—	Capital of the Pension Fund on the 31st December, 1932 .	15,249,578	68
Securities	7,410,317	32	Redemption Fund	409,891	12
Real property	10,078,154	81	Mortgagees	1,314,214	62
Other accounts	305,918	11	Other accounts	117,092	86
			Surplus of revenue over expenditure for the year 19 2 .	1,718,930	96
Total of balance sheet .	18,809,708	24	Total of balance sheet .	18,809,708	24

Income and Expenditure Account

of the Staff Pension Fund

for the year 1932

E X P E N D I T U R E	Zlotys	gr.	I N C O M E	Zlotys	gr.
Pensions and allowances to widows	138,819	83	Ordinary contributions from the Bank	448,523	76
Post mortem payments . . .	1,669	83	Contributions from members	466,850	18
Amortisation of real property	145,918	90	Premium reserve	7,838	53
Stamp fess and taxes . . .	2,094	08	Profit on house administration for the year 1932	314,271	88
Interest on mortgage loans .	36,480	—	Coupons	621,026	03
Surplus of revenue over expenditure for the year 1932	1,718,930	96	Interest on cheque accounts	176,921	57
			Profit on drawn securities .	8,481	65
Total	2,043,913	60	Total	2,043,913	60

